# Budget 2010 11

MARCH 2010

## BUDGET PLAN

Québec

# Budget 2010 | 11

March 30, 2010

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Finances
Québec

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Budget Plan

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# Budget Plan

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# INTRODUCTION

Following an historic financial crisis and a deep recession, the global economy has resumed growing. However, Québec's economy suffered less than its main partners.

In the 2010-2011 Budget, the government is continuing to implement its vigorous economic action plan that has played a crucial role to sustain the economy and employment and thus underpin the recovery.

- For 2009 and 2010, $15 billion is being injected into the economy, the equivalent of 4.9% of GDP.

The government is also taking additional substantial steps as part of the implementation of the Plan to return to budget balance now that the recovery is fully underway. Following three quarters of contraction, Québec's economy resumed growing in the third quarter of 2009.

- Between July 2009 and February 2010, 50 100 were created. For 2010 and 2011, real GDP is expected to gain 2.3% and 2.6% respectively.

As far as public finances are concerned, Québec faces the same challenges as its neighbours. The recession has left an annual shortfall in excess of $4 billion that must gradually be eliminated. However, Québec must deal with a heavier debt load than anywhere else in Canada. Its demographic situation is also unique in North America with a potential labour pool, i.e. its population age 15 to 64, set to decline starting in 2014. This situation allows no other choice than to return to budget balance by 2013-2014, as the *Balanced Budget Act* stipulates.

In this spirit, the government intends to:

- maintain the recovery efforts already in place to support the economy in 2010 and consolidate the recovery;
- take the necessary steps to return to budget balance by 2013-2014, i.e. at the time it will have to deal with the decline in the working-age population;
- implement new initiatives to, in the longer term, develop the economy's full potential and reduce the debt.

Given that the impact of the recession was less severe in Québec, the government is seizing this opportunity to position itself favourably compared to its economic partners as we enter this period of economic growth.

# 1. THE ECONOMIC AND BUDGETARY SITUATION

Following the most severe recession since the Great Depression, the global economy began recovering in the second half of 2009. The return to growth was buoyed by exceptional monetary easing, support for the financial system and fiscal stimulus.

— The recovery is also well underway in Québec. After dropping 1.4% in 2009, real GDP is expected to rise 2.3% in 2010 and 2.6% in 2011.

## 1.1 The recovery is well underway

As was the case with its main trading partners, economic activity bounced back in Québec in the third quarter of 2009. Québec withstood the global economic recession better than its main trading partners. In particular, the decline in output and employment was less severe in Québec than in Ontario, Canada and the United States.

After dropping 1.4% in 2009, real GDP is expected to gain 2.3% in 2010, fuelled by American demand for Québec products, the recovery in consumer spending and investments by governments. In 2011, the anticipated upturn in business non-residential investment will boost economic growth in Québec to a projected 2.6%.

— The recession will have been a little more severe than expected at the time of the 2009-2010 Budget, when a decline of 1.2% in real GDP was anticipated for 2009.

— Nonetheless, the recovery will exceed last year's economic growth forecast for 2010 of 1.9%.

Economic recovery should be accompanied by the creation of 38 700 jobs in 2010 and 41 600 jobs in 2011.

TABLE A.1

**Economic growth in Québec**
(real GDP, annual percentage change)

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| 2010-2011 Budget | – 1.4 | 2.3 | 2.6 |
| Update – Fall 2009 | – 1.5 | 1.7 | 2.6 |
| 2009-2010 Budget | – 1.2 | 1.9 | 2.6 |

Sources: Institut de la statistique du Québec and Ministère des Finances du Québec.

All told, the decline in output in Québec in late 2008 and in 2009 will leave traces, despite the substantial rebound in growth that will ensue. While growth in output over the next four years will exceed the historical trend that will not be enough to recover, over the forecast period, the production lost as a result of the recession.

— Relative to the values forecast in the 2008-2009 Budget, projected nominal GDP will be $17 billion lower in 2010 and $13 billion lower in 2014.

## 1.2 Deficits of $4.3 billion in 2009-2010 and $4.5 billion in 2010-2011

Although the deficits[1] for 2009-2010 and 2010-2011 are adjusted upward, the government's budgetary situation will improve as of 2011-2012.

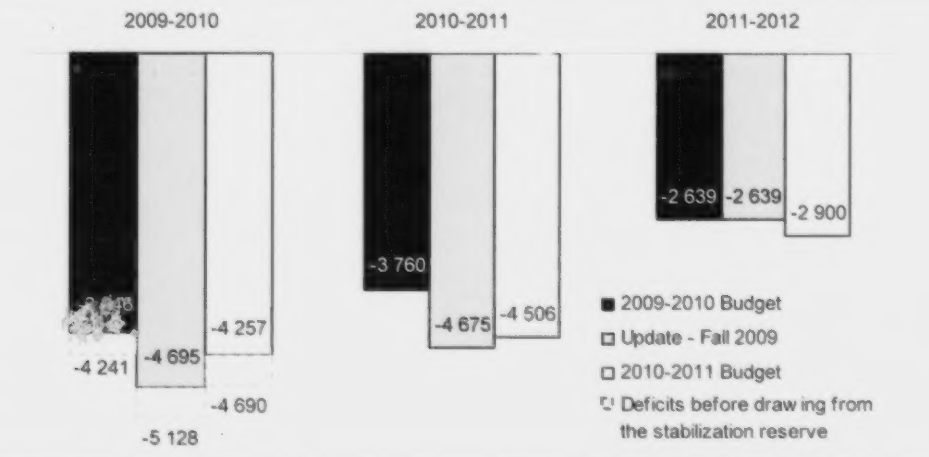
While revenue shortfalls of $3.9 billion for 2009-2010 and $3.8 billion for 2010-2011 were forecast in the March 2009 Budget, the forecast deficits now stand at $4.3 billion and $4.5 billion for these two years, after including the stabilization reserve of $433 million in 2009-2010.

— Still, these adjustments are an improvement for 2009-2010 compared to the fall 2009 update, when a deficit of $4.7 billion was expected.

Moreover, in 2011-2012, the deficit will fall by $1.6 billion, to $2.9 billion, i.e. 0.9% of GDP.

CHART A.1

**Deficits adjusted upward compared to the last budget[1]**
(millions of dollars)



1 Budgetary balances within the meaning of the *Balanced Budget Act*

---

[1] Budgetary balances within the meaning of the *Balanced Budget Act*.

## ❑ Changes compared to the March 2009 outlook

Since the last budget, the main changes to the financial framework for 2009-2010 and 2010-2011 are attributable to:

— a rise in revenue of some $400 million that partially offsets the program spending increases of $780 million and $682 million, respectively, for these two years. These spending increases made it possible, in particular, to support the economy and maintain public services during the recession;

— the incorporation of a contingency reserve of $300 million in 2009-2010 and 2010-2011.

For 2011-2012, the major adjustments are the result of:

— a $305-million decline in revenue from government enterprises;

— a $178-million rise in the cost of debt service;

— the implementation of $103 million in additional measures to partially offset these adjustments.

TABLE A.2

### Adjustments to the financial framework since the 2009-2010 Budget

(millions of dollars)

| | 2009-2010 | | | 2010-2011 | 2011-2012 |
|---|---|---|---|---|---|
| | **Adjustments in the fall 2009 update** | **Change** | **Adjustments in the 2010-2011 Budget** | | |
| **BALANCE IN THE 2009-2010 Budget** | **– 3 946** | **—** | **– 3 946** | **– 3 760** | **– 2 639** |
| **Change in revenue** | | | | | |
| Taxes and other own-source revenue | – 475 | 682 | 207 | 385 | 73 |
| Government enterprises | – 27 | – 130 | – 157 | – 348 | – 305 |
| Federal transfers | 315 | 73 | 388 | 435 | – 21 |
| | **– 187** | **625** | **438** | **472** | **– 253** |
| **Change in expenditure** | | | | | |
| Program spending | – 150 | – 630 | – 780 | – 682 | – 78 |
| Debt service | – 50 | — | – 50 | – 344 | – 178 |
| Consolidated entities | – 200 | 443 | 243 | 122 | 145 |
| | **– 400** | **– 187** | **– 587** | **– 904** | **– 111** |
| Additional drawings from the stabilization reserve | 138 | — | 138 | — | — |
| Contingency reserve | – 300 | — | – 300 | – 300 | — |
| Impact of the Plan to return to budget balance | | | | – 14 | 103 |
| **BUDGETARY BALANCE WITHIN THE MEANING OF THE BALANCED BUDGET ACT IN THE 2010-2011 BUDGET** | **– 4 695** | **438** | **– 4 257** | **– 4 506** | **– 2 900** |

## ☐ Limited impact on public finances

The 2009 recession caused almost all developed countries to run budget deficits. Despite the economic recovery, the continuation of government stimulus measures in 2010 will contribute to keeping most countries in deficit.

Like most other jurisdictions, Québec's budgetary situation will improve as of 2011 because of the implementation of measures to gradually turn public finances around.

TABLE A.3

### Forecast budgetary balances[1]

(as a percentage of GDP)

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Canada – Federal government | – 3.5 | – 3.1 | – 1.6 |
| Québec – Québec government | – 1.4 | – 1.5 | – 0.9 |
| **Other jurisdictions** | | | |
| Sweden | – 2.2 | – 3.4 | – 2.1 |
| New Zealand | – 2.2 | – 4.0 | – 3.4 |
| Denmark | – 3.0 | – 5.5 | – 4.4 |
| Germany | – 3.2 | – 5.5 | – 4.5 |
| Australia | – 4.7 | – 3.6 | – 2.3 |
| Netherlands | – 4.7 | – 6.1 | – 5.6 |
| Italy | – 5.3 | – 5.0 | – 3.9 |
| France | – 7.9 | – 8.2 | – 6.3 |
| United States | – 9.9 | – 10.6 | – 8.3 |
| Spain | – 11.4 | – 9.8 | – 7.5 |
| Ireland | – 11.7 | – 11.6 | – 10.0 |
| United Kingdom | – 12.6 | – 12.0 | – 9.1 |
| Greece | – 12.7 | – 8.7 | – 5.6 |

[1] Deficits relate to all public administrations (federal, provincial and local), except for Canada, the United States and Québec.

Sources: Budget documents of various countries and European Commission (EcoFin).

# 2. RETURN TO BUDGET BALANCE AND REDUCE THE DEBT

With the economic recovery well underway, the time has come to turn to the deficit to gradually eliminate the gap that has developed between revenue and spending as a result of the recession. The budget must be returned to balance to ensure long-term funding for our public services that is compatible with our collective wealth.

It has become all the more necessary to restore order to our public finances at a time when Québec is approaching major demographic changes that will result in a decline in the potential labour pool as of 2014.

Accordingly, the government is reiterating its commitment to reduce the debt by announcing a rise in the stipulated payments to the Generations Fund as of 2014-2015, i.e. once budget balance is restored.

— As a result, all the amounts from the gradual rise of 1¢/kWh in the price of heritage pool electricity, which will take effect in 2014, will be deposited into the Generations Fund to reduce the debt for future generations.

Moreover, the government is reviewing its debt objectives to also reflect the December 2007 accounting reform and the impact of the deficits incurred from now until budget balance is restored in 2013-2014.

## 2.1 Budget balance must be restored

As the economy enters recovery, the gap between revenue and spending caused by the recession remains substantial. The revenue shortfall, estimated at $4.3 billion in 2009-2010, will have to be eliminated gradually to return to budget balance and maintain sound public finances in the long run.

— In 2008-2009 and 2009-2010, the recession significantly impacted revenue while, at the same time, the government maintained spending growth and introduced vigorous economic support measures.

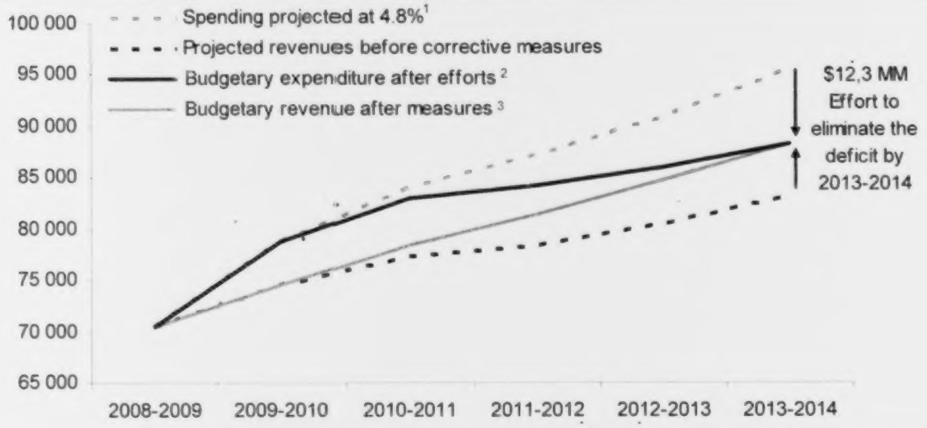
— To bring the budget back into balance, efforts will be required on both spending and revenue. An approach relying solely on adjusting spending to resolve the budgetary impasse would require that the government limit spending growth to less than 1% per year, a rate that is insufficient to maintain public services.

Accordingly, the government is continuing with its Plan to return to budget balance that stipulates a reduction in spending growth together with funding for public services compatible with our collective wealth, as well as additional revenue measures that will be implemented gradually to help taxpayers better adapt to them.

Compared to the trend in revenue and expenditure, the gradual effort required from now to 2013-2014 will amount to $12.3 billion.

CHART A.2

**Impact of the Plan to return to budget balance on revenue and spending, 2008-2009 to 2013-2014$^{P}$**
(millions of dollars)



P: Preliminary results for 2009-2010, forecasts for 2010-2011 and 2011-2012 and projections for subsequent years.

[1] Average annual growth rate of program spending from 2003-2004 to 2009-2010.

[2] Including payments to the Generations Fund as well as spending efforts as of 2010-2011.

[3] Including the net results of consolidated entities, the contingency reserve, the stabilization reserve and revenue efforts, in particular measures to combat tax evasion and tax avoidance.

## 2.2 A plan that restores budget balance in 2013-2014

With this budget, the government has identified the bulk of the measures needed to restore budget balance within four years. The plan stipulates:

- setting program spending growth at 2.9% in 2010-2011 and 2.2% annually until 2013-2014, when the effort will amount to $6.6 billion compared to the trend growth;
- additional measures to control spending growth of public organizations, combat tax evasion and tax avoidance, as well as additional revenue measures, reaching $5.6 billion in 2013-2014, the year stipulated by which the deficit must be eliminated according to the legislation.

In 2014-2015, the government intends to pay all the revenue from the rise in the price of heritage pool electricity into the Generations Fund.

TABLE A.4

**Financial framework of the 2010-2011 Budget after the Plan to return to budget balance**
(millions of dollars)

| | Preliminary data | Forecasts | | Projections | | |
|---|---|---|---|---|---|---|
| | **2009-10** | **2010-11** | **2011-12** | **2012-13** | **2013-14** | **2014-15** |
| **Budgetary revenue** | | | | | | |
| Own-source revenue | 47 421 | 49 164 | 51 255 | 53 547 | 55 546 | 57 673 |
| *% change* | –3.0 | 3.7 | 4.3 | 4.5 | 3.7 | 3.8 |
| Federal transfers | 15 229 | 15 325 | 14 681 | 14 933 | 15 395 | 15 979 |
| *% change* | 8.6 | 0.6 | –4.2 | 1.7 | 3.1 | 3.8 |
| **Total budgetary revenue** | **62 650** | **64 489** | **65 936** | **68 480** | **70 941** | **73 652** |
| ***% change*** | **–0.4** | **2.9** | **2.2** | **3.9** | **3.6** | **3.8** |
| **Budgetary expenditure** | | | | | | |
| Program spending | – 60 769 | – 62 561 | – 63 907 | – 65 282 | – 66 686 | – 69 282 |
| *% change* | 3.8 | 2.9 | 2.2 | 2.2 | 2.2 | 3.9 |
| Debt service | – 6 154 | – 6 990 | – 7 841 | – 8 759 | – 9 597 | – 9 746 |
| *% change* | – 5.4 | 13.6 | 12.2 | 11.7 | 9.6 | 1.6 |
| **Total budgetary expenditure** | **– 66 923** | **– 69 551** | **– 71 748** | **– 74 041** | **– 76 283** | **– 79 028** |
| ***% change*** | **2.9** | **3.9** | **3.2** | **3.2** | **3.0** | **3.6** |
| **Net results of consolidated entities** | **598** | **697** | **848** | **926** | **852** | **1 038** |
| Contingency reserve | – 300 | – 300 | | | | |
| Impact of the Plan to return to budget balance | — | 1 051 | 3 036 | 4 496 | 5 613 | 5 880 |
| **SURPLUS (DEFICIT)** | **– 3 975** | **– 3 614** | **– 1 928** | **– 139** | **1 123** | **1 542** |
| Payments to the Generations Fund | | | | | | |
| - Dedicated revenues | – 715 | – 892 | – 972 | – 1 061 | – 1 123 | – 1 227 |
| - Rise in the price of heritage pool electricity | | | | | | – 315 |
| Stabilization reserve | 433 | | | | | |
| **BUDGETARY BALANCE WITHIN THE MEANING OF THE BALANCED BUDGET ACT** | **– 4 257** | **– 4 506** | **– 2 900** | **– 1 200** | **0** | **0** |

## ☐ The Balanced Budget Act

In the fall of 2009, the National Assembly passed a bill amending the *Balanced Budget Act* to stipulate, in particular, a gradual elimination of the deficit. The Act specifies that the deficit must be eliminated by 2013-2014.

The Act also stipulates that, no later than the 2011-2012 Budget, the government will have to set definitive declining deficit objectives for 2011-2012 and 2012-2013. Once set, these objectives must be met and any overrun will have to be offset.

### ■ Revision of the deficit objective for 2011-2012

To limit the additional impact on taxpayers of the efforts to return to budget balance and ensure that public services are maintained, the government is revising the 2011-2012 deficit target upward. This revision is consistent with the approach described in the March 2009 Budget calling for the gradual introduction of measures to control spending and enhance revenue, without undermining economic recovery.

Accordingly, the shortfall for the year now stands at $2.9 billion compared with the target of $2.6 billion stipulated in the March 2009 Budget. The objective of $1.2 billion for 2012-2013 is maintained and the deficit is still expected to be eliminated by 2013-2014, as stipulated in the Act.

### ■ Sizeable deficits to be offset because of the recession

With the latest revisions to the financial framework, the total deficits to be offset, until 2013-2014, stand at $12.9 billion, slightly less than the $13.2 billion expected in the October 2009 economic and financial update.

— It should be mentioned that in the March 2009 Budget, the government had forecast a cumulative revenue shortfall of $11.5 billion from 2009-2010 to 2013-2014.

## 2.3 Sustained efforts to reduce the debt

Despite the deficit situation, the government is reiterating its commitment to continue with its efforts to reduce the debt load. Accordingly, it intends to:

- maintain, as stipulated, its payments to the Generations Fund from now until 2013-2014, i.e. when the budget is balanced once again;
- step up, as of 2014-2015, debt repayment efforts by paying the revenue from the rise in the price of heritage pool electricity into the Generations Fund;
- review its debt reduction objectives.

## 2.3.1 Revenue from the rise in the price of heritage pool electricity deposited in the Generations Fund

In the March 23, 2006 Budget Speech, the Minister of Finance announced the creation of the Generations Fund. This is a fund in which the government deposits dedicated revenue that will eventually be used to make debt repayments.

In spite of the deficits expected over the next few years, the government is continuing with its debt reduction efforts and, consequently:

— will maintain the stipulated annual payments of dedicated revenue;

— deposit, as of 2014-2015, all the revenue from the gradual rise, over five years, in the price of heritage pool electricity into the Generations Fund;

Accordingly, $892 million will be deposited in the Generations Fund in 2010-2011 and $972 million in 2011-2012. These deposits will reach $1.5 billion in 2014-2015, including the additional $315 million from the rise in the price of heritage pool electricity.

With these deposits, the government is reiterating its commitment to reduce the debt burden on future generations.

— From 2009-2010 to 2014-2015, $6.3 billion will be deposited into the Generations Fund.

TABLE A.5

### Deposits to the Generations Fund from 2009-2010 to 2014-2015[P]

(millions of dollars)

| | 2009-2010 | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 | 2014-2015 |
|---|---|---|---|---|---|---|
| **STARTING BOOK VALUE** | **1 952** | **2 667** | **3 559** | **4 531** | **5 592** | **6 715** |
| Water-power royalties | | | | | | |
| – Hydro-Québec | 571 | 600 | 620 | 641 | 630 | 646 |
| – Private producers | 87 | 87 | 86 | 87 | 89 | 90 |
| | 658 | 687 | 706 | 728 | 719 | 736 |
| Rise in the price of heritage pool electricity | — | — | — | — | — | 315 |
| Unclaimed property | 2 | 2 | 2 | 2 | 2 | 2 |
| Investment income | 55 | 203 | 264 | 331 | 402 | 489 |
| **TOTAL** | **715** | **892** | **972** | **1 061** | **1 123** | **1 542** |
| **ENDING BOOK VALUE** | **2 667** | **3 559** | **4 531** | **5 592** | **6 715** | **8 257** |

P: Preliminary results for 2009-2010, forecasts for 2010-2011 and 2011-2012 and projections for subsequent years.

### 2.3.2 Revision of debt reduction objectives

When the Generations Fund was created, the objective was for total government debt to represent 25% of GDP by March 31, 2026. This objective was written into the *Act to reduce the debt and establish the Generations Fund*, passed June 15, 2006.

— The objectives set in the Act apply to the government's "total debt". This debt concept corresponded to the government reporting entity at the time the Act was passed.

In December 2007, the government carried out a major accounting reform. In particular, this reform expanded the reporting entity to include institutions of the health and social services network and most institutions of the education network. A new concept of debt, the gross debt, was then created, corresponding to the new reporting entity.

— The accounting reform added $21 billion to the debt, the equivalent of 7 percentage points of GDP. Almost all this amount of additional debt had previously been included in the debt of other components of Québec's public sector.

TABLE A.6

**Total debt and gross debt of the Québec government as at March 31, 2007**
(millions of dollars)

| | | |
|---|---|---|
| **Total debt for the purposes of the *Act to reduce the debt and establish the Generations Fund*[1]** | | **122 575** |
| | *As a % of GDP* | *43.4* |
| **Plus:** | Debt of Financement-Québec | 12 073 |
| | Debt of the Corporation d'hébergement du Québec and other entities | 3 560 |
| | Debt of the Société québécoise d'assainissement des eaux | 2 522 |
| | Debt of Immobilière Société d'habitation du Québec | 1 942 |
| | Net employee future benefits liability | 752 |
| **Subtotal** | | **20 849** |
| **Gross debt[1]** | | **143 424** |
| | ***As a % of GDP*** | ***50.8*** |

[1] Excludes borrowings made in advance.

Moreover, the recession will leave budget deficits totalling almost $13 billion from 2009-2010 to 2012-2013 that will add to the debt.

Accordingly, as stipulated in last year's budget, the *Act to reduce the debt and establish the Generations Fund* will be amended to revise the debt reduction objectives.

Discussions on the debt in recent years have distinguished between "good" and "bad" debt.

Good debt is the debt contracted to acquire an asset, for instance to build a road, school or hospital. Bad debt is debt that does not correspond to an asset. Priority must be given to dealing with that debt.

- As at March 31, 2010, the debt representing accumulated deficits, i.e. the bad debt, is expected to reach $106.6 billion, equivalent to 35.4% of GDP.

The government's first objective is to cut that percentage in half, to 17% by 2025-2026. That is a maximum level.

A second objective will focus on the gross debt. As at March 31, 2010, the gross debt is expected to reach $160.1 billion, equivalent to 53.2% of GDP. This percentage is forecast to reach a maximum of 55.1% of GDP in 2011-2012 before beginning to decline.

The government's objective is to reduce gross debt as a percentage of GDP to 45% by 2025-2026. Once again, that is a maximum level.

TABLE A.7

**New debt reduction objectives**
(as a percentage of GDP)

| | **March 31, 2026** |
|---|---:|
| Debt representing accumulated deficits | 17.0 |
| Gross debt | 45.0 |

# 3. CONTINUE WITH THE GOVERNMENT'S STRATEGY: SECURE THE RECOVERY AND STAY THE COURSE ON RESTORING BUDGET BALANCE

The government set clear priorities in the 2009-2010 Budget:

- first, support the economy and secure the recovery;
- then, restore order to public finances.

The government has taken the steps needed to get through the recession and return to economic growth, though the price has been significant deficits. Now that the recovery is well underway, the government is continuing with its strategy in this budget:

- by continuing with its economic action plan, in 2010, maintaining the efforts already in place;
- by taking the additional steps needed to:
  - restore order to public finances and return to budget balance by 2013-2014;
  - ensure the development of Québec's economic potential in the longer term.

## 3.1 Relying on measures already in place to secure the recovery

In late 2008, when the effects of the financial crisis and the global recession hit Québec's economy, the government acted quickly and vigorously.

- The implementation of a $15-billion economic action plan for 2009 and 2010 enabled Québec's economy to get through the recession in better shape than neighbouring economies.

Like other jurisdictions, Québec intends to continue the efforts already taken to secure the recovery. As stipulated in its action plan, new cash resources will be injected into the economy in 2010.

Moreover, in this budget, the government is announcing initiatives targeting segments of the economy hit harder than others by the recession, the Montréal labour market in particular. Structuring measures are also being announced to ensure the development of Québec's economic potential in the longer term.

### 3.1.1 Continuation of the action plan

The government, through its economic action plan, is maintaining the efforts it has deployed since late 2008 to support employment and stimulate the economy.

In all, the measures of the 2010-2011 Budget, which are in addition to the initiatives put forward since the 2008-2009 Budget, as well as the reductions in the tax on capital since January 1, 2009, bring the total cash resources injected into the economy since the start of the recession to $15 billion.

— The Québec government's action, which also includes the investments of the Québec Infrastructures Plan, will help inject a further $8.2 billion in Québec's economy in 2010.

TABLE A.8

**The government's action plan: cash resources injected in Québec's economy in 2009 and 2010 – 2010-2011 Budget[1]**
(millions of dollars)

| | Amount committed in 2009 | Amount stipulated in 2010 | Total over two years |
|---|---|---|---|
| 1. Additional immediate actions to support businesses and workers | 1 896 | 2 131 | 4 027 |
| 2. Invest in public infrastructure | 3 952 | 4 279 | 8 230 |
| 3. Support households, in particular families and the elderly | 365 | 480 | 845 |
| 4. Reduce the corporate tax burden to stimulate investment | 330 | 729 | 1 059 |
| 5. Prepare Québec for economic recovery | 261 | 585 | 846 |
| **TOTAL** | **6 803** | **8 204** | **15 008** |

Note: Since figures are rounded, they may not add up to the totals shown.

[1] Includes the cash resources associated with the measures described in Information Bulletins 2009-4, 2009-8 and 2010-3 and the measures associated with the 2010-2011 Budget designed to consolidate the recovery.

### ☐ A key role to support the recovery

Since the fall of 2008, the Québec government has acted a number of times to support the economy and counter the effects of the recession. The action plan is injecting $15.0 billion in the economy in 2009 and 2010, i.e. 4.9% of GDP.

In particular, for 2010, the government plans to inject $8.2 billion, including:

- $3.1 billion for businesses;
- $0.7 billion for individuals;
- $4.4 billion to improve infrastructure.[2]

The Québec government's initiatives, together with those announced by the federal government, have enabled Québec's economy to get through the recession and be better positioned to capitalize on the recovery. In 2009 and 2010, Québec will have gained an extra 1.5 percentage points in real GDP compared to what it would have been without the government support measures.

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[2] Including infrastructure investments of $117 million in 2010, recorded in the measures designed to prepare Québec for economic recovery announced in the 2009-2010 Budget.

## ☐ Economic support comparable with that of our partners

The impact of the government's action plan to cement the resumption of growth in Québec compared favourably with the forecast effects of the measures taken in Canada and the United States.

— Excluding assistance to the financial sector, provided mainly by the federal government, the Québec government's effort to support economic activity is substantial and comparable, in relative terms, to that of other governments.

Accordingly, for 2009 and 2010, the additional cash resources that will be injected amount to:

— in Québec, $15.0 billion by the Québec government, i.e. 4.9% of GDP;

— in Canada, $74.7 billion by the federal government, i.e. 4.8% of GDP;

— in the United States, US$772.1 billion by the federal government, i.e. 5.3% of GDP.

TABLE A.9

**Government action to support the economy in 2009 and in 2010**

| | 2009 | | 2010 | | Total | |
|---|---|---|---|---|---|---|
| | ($ billion) | (% of GDP) | ($ billion) | (% of GDP) | ($ billion) | (% of GDP) |
| Québec | 6.8 | 2.3 | 8.2 | 2.6 | 15.0 | 4.9 |
| Canada | 49.6 | 3.2 | 25.1 | 1.6 | 74.7 | 4.8 |
| United States[1] | 284.1 | 2.0 | 488.0 | 3.3 | 772.1 | 5.3 |

Note: Includes fiscal and budgetary measures, infrastructure investments and cash resources injected to support the economy, excluding assistance to the financial sector. Since figures are rounded, they may not add up to the totals shown.

[1] Amounts in US dollars.

Sources: Ministère des Finances du Québec, Department of Finance of Canada, Congressional Budget Office, Office of Management and Budget and Council of Economic Advisors.

## 3.1.2 New initiatives to develop the full potential of our economy

In addition to continuing its strategy to support economic recovery during 2010, the government is announcing new initiatives to fully develop Québec's full economic potential in the longer term. Accordingly, the government intends to:

- meet the demographic challenge by setting up a national commission on labour market participation to identify the action that needs to be taken;
- use the levers available to it to boost our performance, in particular by updating and extending the Stratégie québécoise de la recherche et de l'innovation for three years;
- provide Montréal with further support in its role as an essential component of Québec's development, in particular by positioning Québec's largest city as a solid financial centre;
- build a green economy through specific actions to develop the electric vehicle sector in Québec and encourage the marketing of products that have obtained carbon footprint certification;
- ensure responsible and sustainable management of our resources with the deployment of the Northern Plan and assistance for wind-power projects;
- stimulate our cultural vitality by, among other things, promoting Québec artists on the international stage and by consolidating support for the Montréal Symphony Orchestra.

These additional initiatives are part of the government strategy to take immediate structuring steps to better position Québec's economy over the coming years.

The new initiatives will total $216 million of additional support for the development of our economic potential in 2010-2011, $294 million in 2011-2012 and $329 million in 2012-2013.

TABLE A.10

### Financial impact of the new initiatives to develop the full potential of our economy

(millions of dollars)

| | 2010-2011 | 2011-2012 | 2012-2013 |
|---|---|---|---|
| Meet the demographic challenge | – 0.5 | – 0.5 | — |
| Levers to boost our performance[1] | – 145.1 | – 222.3 | – 225.1 |
| Montréal, essential component of balanced development | – 2.5 | – 7.4 | – 46.7 |
| Build a green economy | – 15.3 | – 24.2 | – 32.5 |
| Responsible and sustainable management of our resources | – 36.0 | – 23.5 | – 8.5 |
| A dynamic culture | – 16.3 | – 16.5 | – 16.5 |
| **TOTAL INITIATIVES** | **– 215.7** | **– 294.4** | **– 329.3** |

[1] Financial impact excluding the funding of the Québec Research and Innovation Strategy, which is already provided for in the government's expenditure budget.

## 3.2 Stay the course on returning to budget balance: a challenge within our reach

The government has followed the right strategy by deciding to support the economy to get through the recession, even if at the cost of running significant deficits.

Now that the recovery is well underway, the government intends to take advantage of the fact that Québec is in better economic shape than its main economic partners by moving immediately with additional steps to return to budget balance by 2013-2014, as stipulated in the *Balanced Budget Act*.

In this budget, the government is taking additional substantial steps to turn public finances around by 2013-2014.

Having come out of the recession in better shape than its main economic partners, Québec is well-positioned to act now, as the recovery takes hold.

### ☐ The need to act

Québec faces two challenges that are distinct in the North American economic space and confirm the need to eliminate the deficit by 2013-2014, as stipulated in the *Balanced Budget Act*:

- a deficit situation that adds to a heavier debt load than our neighbours, resulting in less leeway;
- a demographic situation featuring a decline in the potential labour pool and a slowdown in economic growth.

These two challenges require actions in the near future to return to budget balance by 2013-2014 to achieve the leeway needed to maintain funding of public services in a more restrictive context than that of our neighbours.

### A heavier debt load that limits our leeway

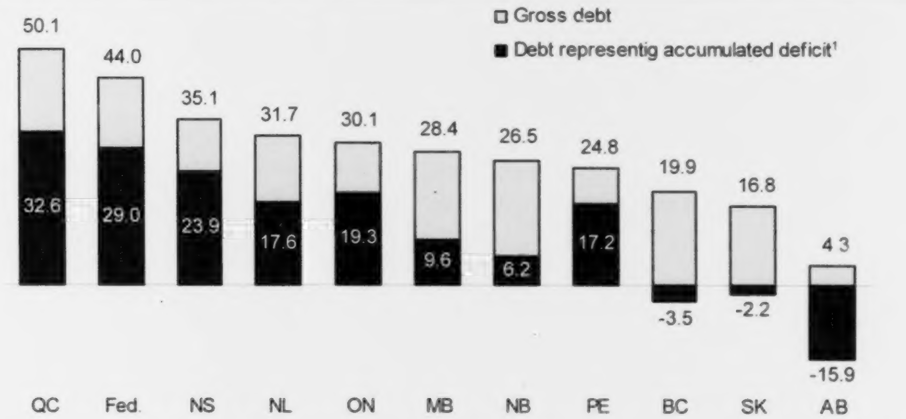
The deficits posted until the mid-1990s contributed to making Québec the most indebted province in Canada. The shortfalls forecast from now to 2013-2014 will add to Québec's already considerable debt load and thus further reduce the government's leeway to fund public services.

- At $151.4 billion as at March 31, 2009, the gross debt is equivalent to 50.1% of Québec's economy, i.e. nearly 26 percentage points more than the average of the other provinces.
- To bring the debt down to a level comparable with that of the other provinces, the gross debt would have to be reduced by $78.3 billion, i.e. a decrease of 51.7% from the March 31, 2009 level.

Based on the concept of debt representing accumulated deficits, the Québec government, with a debt of 32.6% of GDP as at March 31, 2009, remains the most indebted province.

CHART A.3

**Gross debt and debt representing accumulated deficits as at March 31, 2009**
(as a percentage of GDP)



1 A negative entry means that the government has an accumulated surplus.
Sources: Ministère des Finances du Québec, governments' public accounts and Statistics Canada.

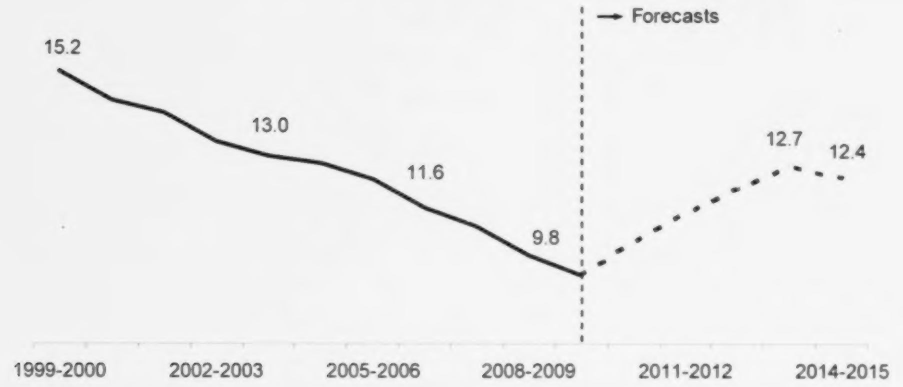
This debt load has major consequences on the government's leeway. Year after year, the considerable cost of debt service, which stands at $7 billion in 2010-2011, burdens government revenues by the same amount and hence the government's capacity to fund public services.

In addition to depriving the government of resources to fund its other missions, debt service substantially limits the government's leeway in its efforts to become more tax competitive to attract the investments and skilled labour needed to maintain our standard of living and for social progress.

— In 2013-2014, debt service of the consolidated revenue fund will reach 12.7% of the government's total budgetary revenue. That means that for each dollar of revenue the government collects, almost 13 cents must be allocated to debt service.

CHART A.4

**Debt service of the consolidated revenue fund**
(as a percentage of total budgetary revenue)



Note: Debt service and total budgetary revenue include the measures identified under the Plan to return to budget balance.

As we approach major demographic changes, reducing Québec's debt load ranks among the government's major concerns.

- **Demographic changes are imminent**

According to the most recent demographic outlook of the Institut de la statistique du Québec, Québec will shortly face two irreversible phenomena:

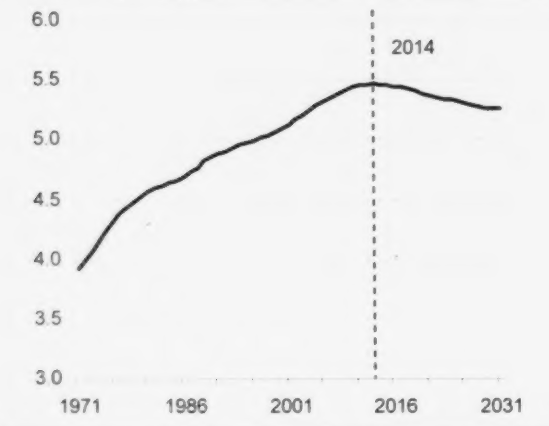
- the decline in the population of working age, from age 15 to 64 , that will affect public finances beginning in 2014, the year the deficit is expected to be eliminated;
- the aging of the population, with a significant increase in the number of persons age 65 or over.

The combination of these two factors will have major repercussions on public finances in the course of the coming years.

- On the one hand, the decline in the potential labour pool will reduce the outlook for economic growth[3] as well as government revenue.
- On the other, the aging of the population will amplify pressure on health spending growth.

CHART A.5

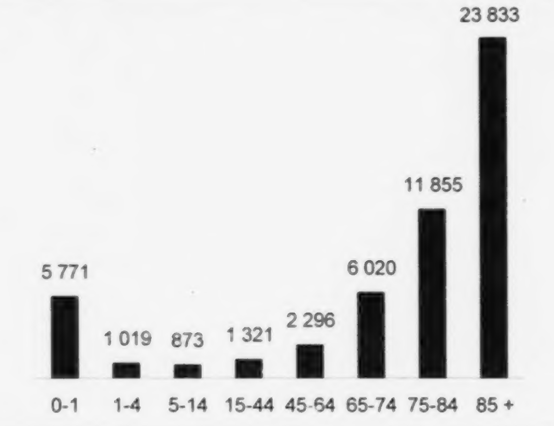
**Population age 15 to 64**
(millions of persons)



Source: Institut de la statistique du Québec (2009).

CHART A6

**Annual health expenditures of the Québec government by age, 2007**
(dollars per capita)



Source: Canadian Institute for Health Information.

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[3] See chapter 4 of section B for more details.

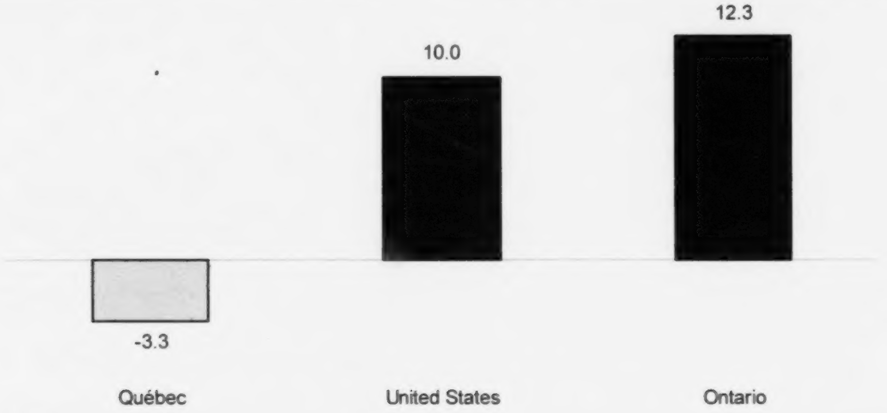
### ■ An issue our neighbours do not face

While our main economic partners will experience growth in their potential labour pool over the next twenty years, Québec's labour force will decline.

— From 2010 to 2030, the population age 15 to 64 will grow by 10.0% and 12.3% in the United States and Ontario respectively. During the same period, the same population pool will decline by 3.3% in Québec.

CHART A.7

**Change in the population age 15 to 64 between 2010 and 2030**
(per cent)



Note: For the United States, the population age 16 to 64.
Sources: U.S. Census Bureau, Ontario Ministry of Finance, Institut de la statistique du Québec.

### ☐ Capitalize on the recovery to take firm steps to turn our public finances around

The return to economic growth, together with the milder impact of the recession in Québec, enables the government to seize the opportunity to position itself favourably compared to its economic partners.

In that spirit, the government intends to capitalize on the economic recovery to take firm steps to turn our public finances around. Accordingly, the government:

- is taking steps now. Having suffered less from the recession, Québec can act more quickly than its partners without threatening the recovery;
- is taking the right steps. As it indicated in its Plan to return to budget balance, the government must, first and foremost, reduce spending growth to a level compatible with its ability to pay. Moreover, the choice of the additional tax levies needed to fund public services must take their impact on economic growth into account.

Taking the right steps now will more quickly generate the leeway stemming from a gradual return to balanced budgets. In this regard, the government's approach must seek a balance between a reduction in spending growth compatible with maintaining public services and implementation of additional revenue measures, whose phased introduction from now until 2013-2014, will allow taxpayers to gradually adapt to them.

## 4. IMPLEMENTATION OF THE PLAN TO RETURN TO BUDGET BALANCE

The Plan to return to budget balance, announced in March 2009, did not specify any measures for 2009-2010, in order not to hinder efforts to revive the economy.

Now that the recovery is well underway, the government is implementing, starting in 2010-2011, the initial revenue measures and is deploying the initial efforts to reduce spending growth.

## 4.1 Review of the measures announced in March 2009

The Plan to return to budget balance tabled in last year's budget contained corrective measures that were not to take effect until 2010-2011, when the economy was forecast to recover. Accordingly, these measures will be implemented at that time, namely:

- an effort to reduce program spending growth by $869 million in 2010-2011 compared to the trend growth of the last seven years. This effort will reach $3.9 billion in 2013-2014;
- implementation of revenue measures totalling $615 million for 2010-2011 and $2.4 billion in 2013-2014, distributed as follows:
  - $200 million from the intensification of efforts to counter tax evasion and tax avoidance in 2010-2011 that will reach $900 million in 2013-2014;
  - $400 million in 2010-2011 from the rise in the Québec sales tax rate from 7.5% to 8.5%, as of January 1, 2011. This measure will generate $1.3 billion in 2013-2014;
  - $15 million from the indexing of all non-indexed user fees as of January 1, 2011 that will generate $195 million in 2013-2014.

TABLE A.11

**Measures announced in the Plan to return to budget balance in the March 2009 Budget**
(millions of dollars)

| | 2009-2010 | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 |
|---|---|---|---|---|---|
| **Expenditure measure announced in 2009-2010** | | | | | |
| Efforts to reduce spending | — | 869 | 1 806 | 2 814 | 3 898 |
| **Revenue measures announced in 2009-2010** | | | | | |
| Intensification of Revenu Québec's efforts to counter tax evasion and tax avoidance | — | 200 | 300 | 600 | 900 |
| Indexing of all non-indexed user fees as of January 1, 2011 | — | 15 | 75 | 135 | 195 |
| Rise in the Québec sales tax by one percentage point January 1, 2011 | — | 400 | 1 215 | 1 215 | 1 265 |
| **Subtotal of announced revenue measures** | **—** | **615** | **1 590** | **1 950** | **2 360** |
| **TOTAL ANNOUNCED MEASURES** | **—** | **1 484** | **3 396** | **4 764** | **6 258** |

## 4.2 Additional steps to restore budget balance

This budget stipulates the implementation of new measures as part of the Plan to return to budget balance. These measures, excluding those affecting program spending, will reach $436 million in 2010-2011 and $2.2 billion in 2013-2014.

In keeping with its fiscal policy directions, the government has opted for measures that are among the least damaging for economic growth.

Keep within within our ability to pay:

- program spending growth limited to 2.9% in 2010-2011 and 2.2% annually until 2013-2014;
- efforts to control spending within public bodies.

Ensure that everyone pays their fair share:

- additional efforts to combat tax evasion and tax avoidance.

Provide adequate funding for public services:

- additional rise in the rate of the Québec sales tax, from 8,5% to 9.5% as of January 1, 2012;
- introduction of an annual health contribution, for each adult, of $25 in 2010,[4] $100 in 2011 and $200 as of 2012;
- temporary rise in the compensatory tax on financial institutions;
- implementation of the revision of the mining duties regime.

Modernize our road and public transit infrastructures:

- a rise in the fuel tax rate of 1 ¢ per litre on April 1 of each year from 2010 to 2013.

Reduce the debt for future generations once the budget is back in balance:

- a gradual rise of 1 ¢/kWh of heritage pool electricity, over five years, as of 2014.

Compensatory measures will reduce, even eliminate, the impact of these measures for low-income individuals and households, in particular regarding the rise in the Québec sales tax.

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[4] The health contribution will be $50 in 2010. However, since it will apply only as of July 2010, this is equivalent to $25 for 2010.

## ❑ An additional reduction in government spending

As part of the Plan to return to budget balance, announced in the March 2009 Budget, the government set annual growth in program spending at 3.2% until 2013-2014.

In this budget, the government is announcing a further reduction in spending growth to 2.9% in 2010-2011 and 2.2% annually until 2013-2014.

This reduction is made possible by:

— additional program spending growth reduction efforts;

— the additional contribution for funding of institutions of the health and social services network from, in particular, the introduction of the health contribution whose revenues will be paid into the new fund for financing health-care institutions.

TABLE A.12

### Program spending, 2009-2010 to 2013-2014

(millions of dollars)

| | **Preliminary data** | **Projections** | | | |
|---|---|---|---|---|---|
| | **2009-2010** | **2010-2011** | **2011-2012** | **2012-2013** | **2013-2014** |
| Program spending at 3.2% | – 60 769 | – 62 741 | – 64 732 | – 66 802 | – 68 931 |
| *% change* | *3.8* | *3.2* | *3.2* | *3.2* | *3.2* |
| Additional program spending effort | | — | 250 | 525 | 800 |
| **Subtotal** | **– 60 769** | **– 62 741** | **– 64 482** | **– 66 277** | **– 68 131** |
| ***% change*** | | ***3.2*** | ***2.8*** | ***2.8*** | ***2.8*** |
| Fund for financing health-care institutions | | 180 | 575 | 995 | 1 445 |
| **Program spending as forecast in the 2010-2011 Budget** | **– 60 769** | **– 62 561** | **– 63 907** | **– 65 282** | **– 66 686** |
| ***% change*** | | ***2.9*** | ***2.2*** | ***2.2*** | ***2.2*** |

In all, efforts to reduce program spending growth, compared to the trend increase of 4.8%, amount to $1.2 billion in 2010-2011 and $6.6 billion in 2013-2014.

## ☐ Identified measures totalling $11.2 billion in 2013-2014

Implementation of the measures of this budget brings the total effort identified for returning to budget balance to $11.2 billion in 2013-2014.

TABLE A.13

### Efforts to be carried out under the Plan to return to budget balance, 2009-2010 to 2013-2014

(millions of dollars)

| | 2009-2010 | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 |
|---|---|---|---|---|---|
| **BUDGETARY BALANCE WITH GROWTH IN PROGRAM SPENDING HELD AT 4.8%** | **– 4 257** | **– 6 709** | **– 8 800** | **– 10 390** | **– 12 262** |
| Spending efforts[1] | | 1 152 | 2 864 | 4 694 | 6 649 |
| **BUDGETARY BALANCE AFTER SPENDING EFFORTS** | **– 4 257** | **– 5 557** | **– 5 936** | **– 5 696** | **– 5 613** |
| **Measures announced in the 2009-2010 Budget[2]** | | **615** | **1 590** | **1 950** | **2 360** |
| **Measures announced in the 2010-2011 Budget[2]** | | | | | |
| **Spending control and tax evasion** | | | | | |
| - Efforts to control spending within public organizations | | 80 | 240 | 365 | 530 |
| - Measures to combat tax evasion and tax avoidance | | 120 | 255 | 275 | 300 |
| **Funding of public services** | | | | | |
| - Rise in the Québec sales tax rate from 8.5% to 9.5% as of January 1, 2012 | | — | 400 | 1 500 | 1 550 |
| - Temporary increase in the compensatory tax on financial institutions | | 112 | 115 | 120 | 124 |
| - Revision of the mining duties regime | | 32 | 39 | 57 | 60 |
| **Financing of transportation infrastructure** | | | | | |
| - Rise in the fuel tax rate of 1 ¢ per litre on April 1 of each year from 2010 to 2013 | | 120 | 240 | 360 | 480 |
| **Fund for financing health-care institutions** | | | | | |
| - Introduction of a health contribution as of July 1, 2010 | | 180 | 575 | 945 | 945 |
| - Additional funding for health institutions | | – 180 | – 575 | – 995 | – 1 445 |
| **Assistance to low-income individuals and households** | | | | | |
| - Solidarity tax credit[3] | | — | — | – 260 | – 260 |
| Other budget measures | | – 28 | – 154 | – 145 | – 82 |
| **Measures of the 2010-2011 Budget[2]** | | **436** | **1 135** | **2 222** | **2 202** |
| **Total identified measures[4]** | | **2 203** | **5 589** | **8 866** | **11 211** |
| Amount to offset to achieve deficit objectives | | — | 311 | 324 | 1 051 |
| **Total measures** | | **2 203** | **5 900** | **9 190** | **12 262** |
| **BUDGETARY BALANCE FOR THE PURPOSES OF THE BALANCED BUDGET ACT** | **– 4 257** | **– 4 506** | **– 2 900** | **– 1 200** | **0** |

[1] Excluding the additional contribution of the fund for financing health-care institutions to keep growth in total health spending at 5%.

[2] Excluding program spending measures.

[3] The impact of $250 million in 2011-2012 is already included in the government's financial framework.

[4] Including program spending measures.

### ❑ A gradual effort

The efforts by the government and taxpayers to return to budget balance will increase gradually from now until 2013-2014.

The government's effort to turn public finances around, which stands at $1.6 billion in 2010-2011, will gradually rise to $8.4 billion in 2013-2014.

- Including the additional contribution of the fund for financing health-care institutions, the government effort rises from $1.4 billion in 2010-2011 to $6.9 billion in 2013-2014.

Turning to taxpayers, the gradual introduction of new measures for individuals and businesses brings the effort to $831 million in 2010-2011 and $4.3 billion in 2013-2014.

Accordingly, a balance of $1.1 billion must be offset to return to budget balance by 2013-2014.

TABLE A.14

**Efforts to return to budget balance, 2010-2011 to 2013-2014[F]**
(millions of dollars)

| | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 |
|---|---|---|---|---|
| **GOVERNMENT EFFORT** | | | | |
| Departments and organizations | 1 152 | 2 864 | 4 694 | 6 649 |
| Public bodies | 80 | 240 | 365 | 530 |
| Measures to combat tax evasion and tax avoidance | 320 | 555 | 875 | 1 200 |
| **Subtotal** | **1 552** | **3 659** | **5 934** | **8 379** |
| **Additional funding for health institutions** | – 180 | – 575 | – 995 | – 1 445 |
| **Subtotal** | **1 372** | **3 084** | **4 939** | **6 934** |
| **TAXPAYERS' EFFORT** | | | | |
| Individuals | 421 | 1 553 | 2 329 | 2 536 |
| Health contribution | 180 | 575 | 945 | 945 |
| **Subtotal** | **601** | **2 128** | **3 274** | **3 481** |
| Businesses and others | 230 | 377 | 653 | 796 |
| **Subtotal** | **831** | **2 505** | **3 927** | **4 277** |
| **Total identified effort** | **2 203** | **5 589** | **8 866** | **11 211** |
| Balance to be offset[1] | — | 311 | 324 | 1 051 |
| **TOTAL EFFORT** | **2 203** | **5 900** | **9 190** | **12 262** |

F: Forecasts.

[1] Includes the balance of the fund for financing health-care institutions, amounting to $50 million and $500 million respectively, to be eliminated in 2012-2013 in 2013-2014.

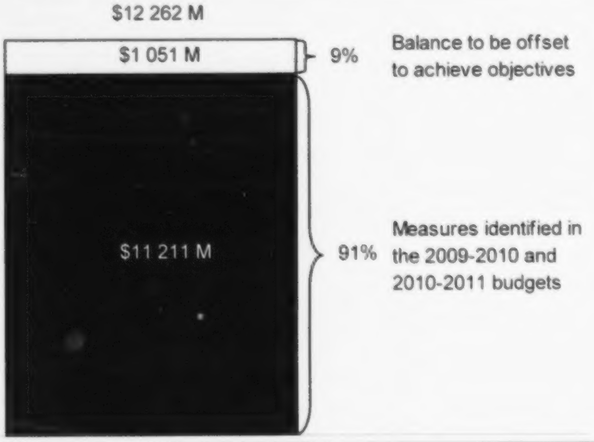
### 4.2.1 More than 90% of the effort already identified

The new measures to return to budget balance announced in the 2010-2011 Budget bring the effort already identified to eliminate the deficit by 2013-2014 to 90%.

Including the measures of the March 2009 Budget, which total $6.3 billion from now until 2013-2014, as well as the additional measures announced in this budget, amounting to $4.9 billion, the total effort already identified to return to budget balance amounts to $11.2 billion.

CHART A.8

**Plan to return to budget balance**
**Efforts to eliminate the deficit by 2013-2014**
(millions of dollars and per cent)



### 4.2.2 Breakdown of the efforts to return to budget balance: 62% for the government, 38% for taxpayers

The measures identified to date, under the Plan to return to budget balance, are divided between the government and taxpayers. Taking the implementation of the health contribution into account, the efforts attributable to the government amount to 61.9% and break down as follows:

- $5.2 billion (46.4%) from reducing the spending growth of government departments and organizations;
- $530 million (4.8%) attributable to spending control in other public bodies;
- $1.2 billion (10.7%) from measures to combat tax evasion and tax avoidance, to ensure that everyone pays their fair share to fund public services.

The additional effort sought from taxpayers represents 38.1% of the total effort identified and breaks down as follows:

- $3.5 billion (31.0%) from the rise in the Québec sales tax, the health contribution, the rise in the fuel tax and the indexing of user fees;
- $796 million (7.1%) borne largely by businesses, essentially attributable to the rises in the Québec sales tax and the fuel tax, as well as the mining duties regime and the temporary rise in the compensatory tax of financial institutions.

TABLE A.15

**Breakdown of the effort identified to achieve budget balance**
(millions of dollars and per cent)

| | Government | | | | Taxpayers | | | |
|---|---|---|---|---|---|---|---|---|
| | Tax evasion | Public bodies | Expenditure and organizations[1] | Subtotal | Individuals[2] | Businesses and others | Subtotal | Total |
| Total effort | 1 200 | 530 | 5 204 | **6 934** | 3 481 | 796 | **4 277** | **11 211** |
| - Breakdown of the effort (%) | 10.7 | 4.8 | 46.4 | **61.9** | 31.0 | 7.1 | **38.1** | **100.0** |

[1] Excluding the additional contribution of the fund for financing health-care institutions.
[2] Including the health contribution.

### Taking the right steps: opt for sources of revenue least damaging to the economy

The corrective measures announced in the Plan to return to budget balance take their impact on economic growth into account:

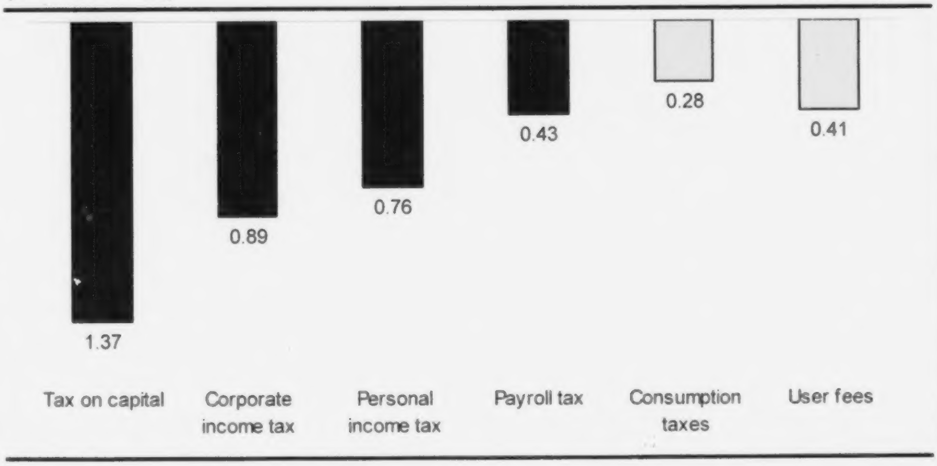
- spending growth that is compatible with taxpayers' ability to pay and keeps the budgetary situation in structural balance;
- an intensification of efforts to counter tax evasion and tax avoidance to ensure that everyone contributes fairly to the funding of public services;
- greater application of user fees, based on the principle that those who make the greatest use of public services should pay an additional contribution;
- greater reliance on consumption taxes, the least damaging tax levy for economic growth.

All these necessary measures for restoring order to public finances also seek to reduce, as far as possible, any negative impact on economic growth.

Accordingly, the revenue measures put forward in the Plan to return to budget balance:

- do not penalize investment;
- do not discourage work;
- do not harm the competitiveness of exporting businesses;
- enable a better division of the tax burden by protecting low-income households with compensatory measures;
- reduce the opportunities for tax evasion and tax avoidance.

**Long-term cost in terms of real Québec GDP of each $1 billion increase in taxes and user fees**
(billions of dollars)



Source: Ministère des Finances du Québec.

## 4.3 The benefits of the Plan to return to budget balance

The Plan to return to budget balance is being implemented as part of the broad fiscal policy directions that have characterized the government's action in recent years.

### ☐ The fiscal policy directions guiding the government's action

For a number of years now, the government's fiscal policy has been built around six broad policy directions:

- maintaining a balanced budget;
- spending growth consistent with growth in GDP;
- a commitment towards future generations to reduce the debt;
- a competitive tax system that is essential to wealth creation;
- adequate funding of our public services;
- reinvestment in the modernization of our infrastructures.

The new measures announced under the Plan to return to budget balance are consistent with these broad policy directions and objectives.

### ■ Growth in spending compatible with our ability to pay

The measures put forward in the Plan to return to budget balance will help bring spending as a proportion of our economy to a level compatible with our broad fiscal policy directions:

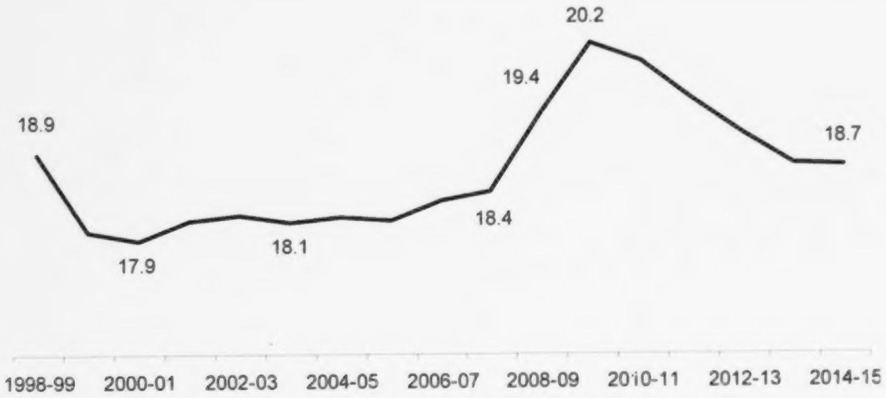
— growth in spending compatible with our ability to pay;

— spending as a proportion of the economy compatible with a competitive, wealth-creating tax system.

Accordingly, the efforts to reduce spending growth included in the Plan to return to budget balance will reduce program spending as a percentage of GDP to 18.7% in 2014-2015, a level similar to what it was before the recession.

CHART A.9

**Program spending**
(as a percentage of GDP)



- **Sufficient revenue to fund public services**

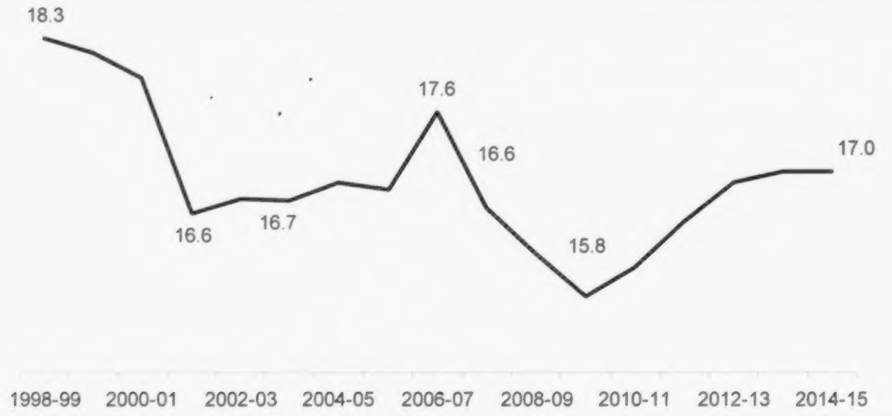
The additional revenue provided by the measures of the Plan to return to budget balance will enable the government to meet its commitments regarding its fiscal policy directions:

- adequate funding of public services;
- significant reinvestment in the modernization of infrastructures.

In 2014-2015, when implementation of the Plan to return to budget balance is complete, own-source revenue as a percentage of GDP will stand at 17%, a level similar to what it was before the recession.

CHART A.10

**Own-source revenue**
(as a percentage of GDP)



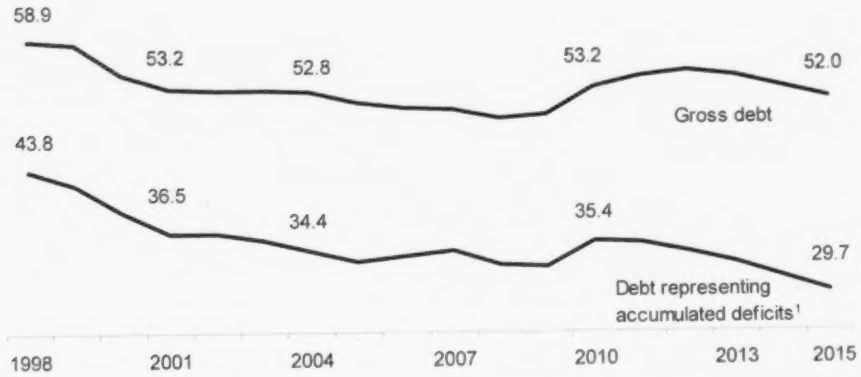
## ■ Continuation of efforts to reduce the debt load

In accordance with the government's commitment to continue working to reduce the debt load, the implementation of the Plan to return to budget balance, combined with the rise in payments to the Generations Fund, will reduce the impact of deficits on the size of the public debt.

Accordingly, the government's gross debt, as a percentage of GDP, will be lowered to 52.0% within five years, while the debt representing accumulated deficits will amount to 29.7% of GDP in 2015.

CHART A.11

**Gross debt and debt representing accumulated deficits of the government as at March 31**
(as a percentage of GDP)



[1] Reflects the stabilization reserve.

## CONCLUSION

The global economy is on the road to recovery and most governments will take advantage of the favourable economic situation to move forward on two fronts: consolidate the recovery of their respective economies and gradually restore order to public finances.

The milder impact of the recession in Québec presents an opportunity to act by taking the right steps that will help provide the leeway necessary to meet the challenges facing us, in particular regarding demography.

With this budget, the government is continuing with its strategy that aims to:

- support the recovery by maintaining its support of the economy and employment, as stipulated in its action plan announced as part of the 2009-2010 Budget;
- capitalize on a recovery that is well underway to implement the initial measures to restore order to public finances with a view to eliminating the budget deficit by 2013-2014, as stipulated in the *Balanced Budget Act*;
- ensure the development of our economic potential in the longer term through additional strategic support for the economy;
- boost efforts to reduce the debt for future generations.

As the economy recovers, the government is thus reaffirming its determination to do everything necessary to position itself favourably compared to its economic partners by moving now to take the right steps that will contribute to creating a prosperous economic environment for all Quebecers.

# APPENDIX

The following table presents the government's five-year financial framework incorporating the measures identified in the Plan to return to budget balance.

TABLE A.16

### Financial framework of the 2010-2011 Budget incorporating the measures identified in the Plan to return to budget balance

(millions of dollars)

| | Preliminary data | Forecasts | | Projections | | |
|---|---|---|---|---|---|---|
| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
| **Budgetary revenue** | | | | | | |
| Own-source revenue | 47 421 | 50 152 | 53 840 | 57 563 | 60 333 | 62 703 |
| *% change* | *−3.0* | *5.8* | *7.4* | *6.9* | *4.8* | *3.9* |
| Federal transfers | 15 229 | 15 325 | 14 681 | 14 933 | 15 395 | 15 979 |
| *% change* | *8.6* | *0.6* | *−4.2* | *1.7* | *3.1* | *3.8* |
| **Total budgetary revenue** | **62 650** | **65 477** | **68 521** | **72 496** | **75 728** | **78 682** |
| ***% change*** | ***−0.4*** | ***4.5*** | ***4.6*** | ***5.8*** | ***4.5*** | ***3.9*** |
| **Budgetary expenditure** | | | | | | |
| Program spending | − 60 769 | − 62 561 | − 63 907 | − 65 282 | − 66 686 | − 69 282 |
| *% change* | 3.8 | 2.9 | 2.2 | 2.2 | 2.2 | 3.9 |
| Debt service | − 6 154 | − 6 980 | − 7 832 | − 8 749 | − 9 588 | − 9 737 |
| *% change* | *−5.4* | *13.4* | *12.2* | *11.7* | *9.6* | *1.6* |
| **Total budgetary expenditure** | **− 66 923** | **− 69 541** | **− 71 739** | **− 74 031** | **− 76 274** | **− 79 019** |
| ***% change*** | **2.9** | **3.9** | **3.2** | **3.2** | **3.0** | **3.6** |
| **Net results of consolidated entities** | **598** | **750** | **979** | **1 072** | **618** | **828** |
| Contingency reserve | − 300 | − 300 | | | | |
| Other measures to be identified in the Plan to return to budget balance | | | 311 | 324 | 1 051 | 1 051 |
| **SURPLUS (DEFICIT)** | **− 3 975** | **− 3 614** | **− 1 928** | **− 139** | **1 123** | **1 542** |
| Payments to the Generations Fund | | | | | | |
| - Dedicated revenues | − 715 | − 892 | − 972 | − 1 061 | − 1 123 | − 1 227 |
| - Rise in the price of heritage pool electricity | | | | | | − 315 |
| Stabilization reserve | 433 | | | | | |
| **BUDGETARY BALANCE FOR THE PURPOSES OF THE BALANCED BUDGET ACT** | **− 4 257** | **− 4 506** | **− 2 900** | **− 1 200** | **0** | **0** |

# Section B

## The Québec Economy: Recent Developments and Outlook for 2010 and 2011

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# HIGHLIGHTS

## ☐ Global economic recovery well under way

Following the most severe recession since the Great Depression, the global economy began recovering in the second half of 2009. The return to growth was buoyed by exceptional monetary easing, financial system and fiscal stimulus measures.

— **The emerging economies of Asia** will be an engine of global economic growth in 2010 and 2011.

— **In Europe**, growth recovery will remain fragile. Budget deficits and debt levels, in particular, will pose a significant threat to the euro area.

— In the **United States**, major fiscal stimulus measures will continue to drive economic recovery in 2010. The economy is expected to grow by 2.7% in 2010 and 2011.

— In **Canada**, real gross domestic product (GDP) picked up again in the third and fourth quarters of 2009. Economic growth is expected to be 2.7% in 2010 and 3.0% in 2011.

## ☐ Québec economy also rebounding

After contracting for three quarters, Québec's economy posted positive growth starting in the third quarter of 2009, fuelled by renewed household confidence and by massive investment in public infrastructure.

Like that of its trading partners, Québec's economic growth will become stronger in the coming months. After contracting 1.4% in 2009, **real GDP** is expected to increase by 2.3% in 2010 and by 2.6% in 2011.

TABLE B.1

**Economic growth outlook**
(percentage change)

| | Real GDP | | | Nominal GDP | | |
|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 |
| Québec | – 1.4 | 2.3 | 2.6 | – 0.4 | 4.0 | 4.5 |
| Canada | – 2.6 | 2.7 | 3.0 | – 4.5 | 5.1 | 5.6 |
| United States | – 2.4 | 2.7 | 2.7 | – 1.3 | 3.9 | 4.5 |

Sources: Institut de la statistique du Québec, Statistics Canada, HIS Global Insight and ministère des Finances du Québec.

Québec weathered the recession better than its trading partners, notably thanks to massive public investment started as early as 2008, the good performance of the housing market and the size of the aerospace industry, which was not hit as hard as the automotive industry. As a result, the decline in output and job losses was less severe in Québec in 2009 than in Canada and the United States.

After shrinking 0.4% in 2009, **nominal GDP**, which takes price changes into account and on which government revenues are based, is expected to grow by 4.0% this year and 4.5% next year.

### ☐ The recession will leave scars

Québec's economic activity should continue to expand in the coming years, especially between 2010 and 2014, when real GDP is expected to grow at an average rate of 2.3%.

The decline in Québec's output in 2009 will leave scars, despite the significant rebound that will follow. Even though the growth in output over the next four years will exceed the historical trend, it will not be sufficient over the forecast period to recover the output losses during the recession:

— Relative to the values forecasted in the 2008-2009 Budget, the projected nominal GDP will be $17 billion lower in 2010 and $13 billion lower in 2014.

Over the next five years, economic growth will be slowed down by a number of factors. In particular, the high Canadian dollar and stiff competition from emerging economies will slow growth in Québec's international exports. The latter will also be limited by the moderate growth in US domestic demand.

In addition, changes in Québec's potential labour pool will no longer sustain economic growth starting in 2014. More specifically, the number of working-age people will fall over the next 15 years due to the decline in population growth and to population aging.

As a result, a slowdown in real GDP growth is projected. Following a three-decade trend of 2.1%, annual economic growth is expected to gradually dip to 1.4% by 2021-2025.

# INTRODUCTION

This section of the Budget Plan presents the economic forecasts underpinning the 2010-2011 Budget. It is divided into four sections.

Section 1 explains the **global economic situation**. After experiencing a deep recession, the global economy began recovering in the second half of 2009. In 2010, economic growth will continue to be supported by government stimulus measures. Households and businesses are expected to take over from governments in driving global economic growth in 2011.

Section 2 presents the **economic situation in Québec**. Like its trading partners, Québec is in full economic recovery mode. Real GDP growth on average is even expected to outpace the historical trend until 2014.

Section 3 describes the **economic situation of Québec's trading partners**. Québec is an open economy. Its output is largely dependent on foreign demand for Québec products, with exports accounting for more than half of its GDP. The Québec economy will benefit primarily from the upturn in the US and Canadian economies.

Section 4 presents the **15-year economic projections for Québec**. During the period in question, Québec will face major demographic changes that will have a significant impact on its labour market and economy.

# 1. GLOBAL ECONOMIC SITUATION

## 1.1 Recovery is under way

In 2008 and 2009, the global economy went through the worst recession since the Great Depression. Public authorities from around the world worked together intensively to revive economic activity.

— Central banks eased their monetary policy stance considerably.

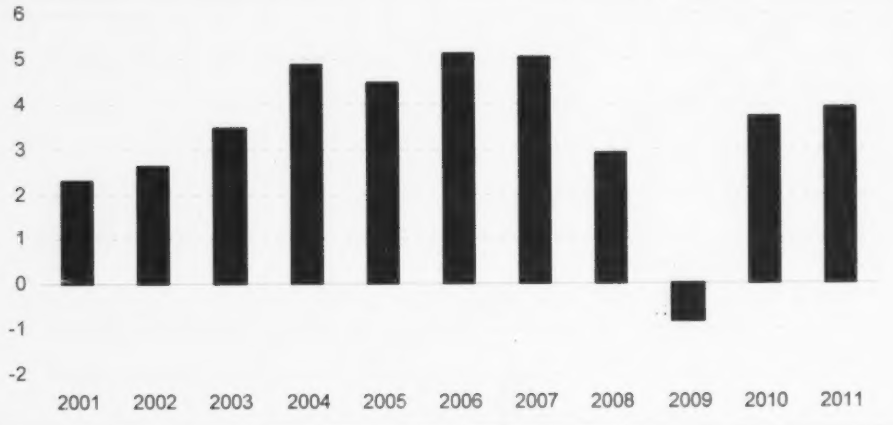
— Government authorities adopted economic stimulus plans of unprecedented scale and introduced measures to reduce credit risk and invigorate the banking sector.

These policies yielded results, limiting the contraction in real global GDP to 0.8% in 2009. They boosted consumer spending and investment in addition to fuelling a rebound in global trade and financial markets in the second half of 2009.

The global economic recovery that began in the second half of 2009 should continue. Real GDP is expected to grow by 3.7% in 2010 and by 3.9% in 2011. When government stimulus measures gradually expire, renewed consumer and business confidence will take over from governments to create self-sustaining economic growth. The global economy will expand at a more moderate pace than before the recession.

CHART B.1

**Global economic growth**
(real GDP, percentage change, data based on purchasing power parity)



Sources: IHS Global Insight, International Monetary Fund and ministère des Finances du Québec.

## ❑ Revival of world trade

World trade was hit hard between late 2008 and early 2009 by the simultaneous decline in demand in many countries. The value of world trade fell 33% from US$16 800 billion in the second quarter of 2008 to $11 200 billion in the first quarter of 2009.

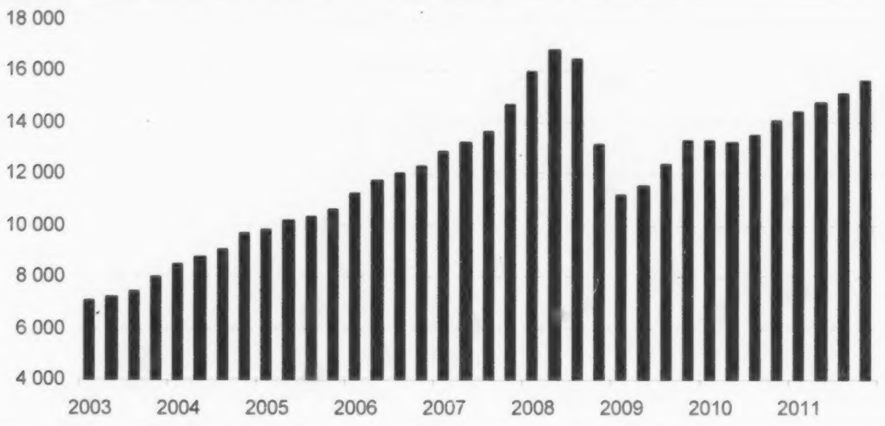
The drop in worldwide demand resulted from the negative impacts of the financial crisis on credit supply, the fall in household and business confidence and the job losses experienced by several advanced economies. As well, the tightening of bank credit owing to the financial crisis affected trade financing and reduced investments in machinery and equipment, the key element of international trade.

Countries that depend on exports of high-value-added products, such as Germany and Japan, were hit especially hard. Shipments of machinery, industrial goods and vehicles, which account for 50% of their exports, fell sharply. Vehicle exports, in particular, fell 41% in Japan and 28% in Germany in 2009.

The numerous steps taken by governments revived bank lending, thereby driving a recovery in trade. Merchandise trade picked up in spring 2009 thanks to a rebound in demand in emerging economies and gained momentum in the second half of 2009 with the upturn in demand in advanced economies. After dropping 22.4% in 2009, total merchandise exports should show strong growth, at 12.4% in 2010 and 11.3% in 2011.

CHART B.2

**World merchandise exports**
(billions of US dollars)



Source: IHS Global Insight.

## 1.2 Emerging Asian economies underpinning economic growth

Even though emerging Asian economies[1] experienced a significant slowdown in growth in 2009 due to the global recession, they are still the most dynamic elements of the global economy.

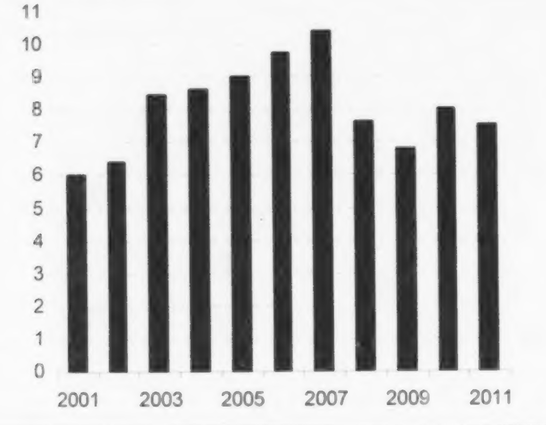
The region benefited from major fiscal stimuli, a financial system that weathered the financial crisis relatively well and a recovery in international exports starting in mid-2009. China's strong economic performance, in particular, was a main engine of economic activity in the region. The 4-trillion-yuan stimulus package (representing 13% of China's GDP) announced in November 2008 enabled China to spur infrastructure investments and consumption.

After slowing to 6.8% in 2009, growth of emerging Asian economies is expected to rise to 8.0% in 2010 and 7.5% in 2011. These economies will increasingly support global economic growth due to the zone's growing share of global output. They will contribute 23% to real global GDP in 2011, compared with 15% ten years ago.

CHART B.3

**Growth of emerging Asian economies**

(real GDP, percentage change, data based on purchasing power parity)

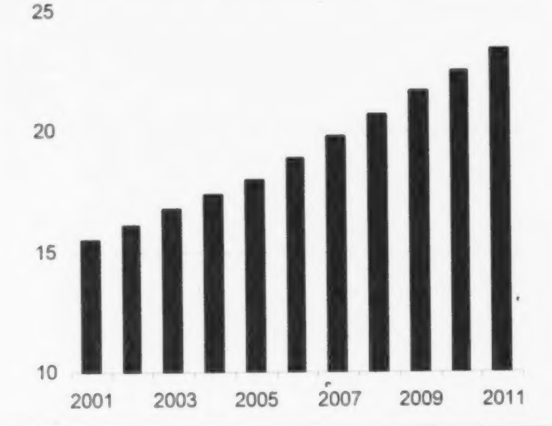


Sources: International Monetary Fund, IHS Global Insight and ministère des Finances du Québec.

CHART B.4

**Weight of emerging Asian economies in the global economy**

(percentage of real global GDP)



Source: International Monetary Fund.

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[1] Includes, in particular, China, India, Indonesia, Malaysia, Pakistan, Philippines, Thailand and Vietnam.

## ☐ Gradual recovery in advanced economies

Advanced economies[2] will experience moderate recovery, supported by economic stimulus measures and expansionary monetary policies, which are spurring growth in domestic demand.

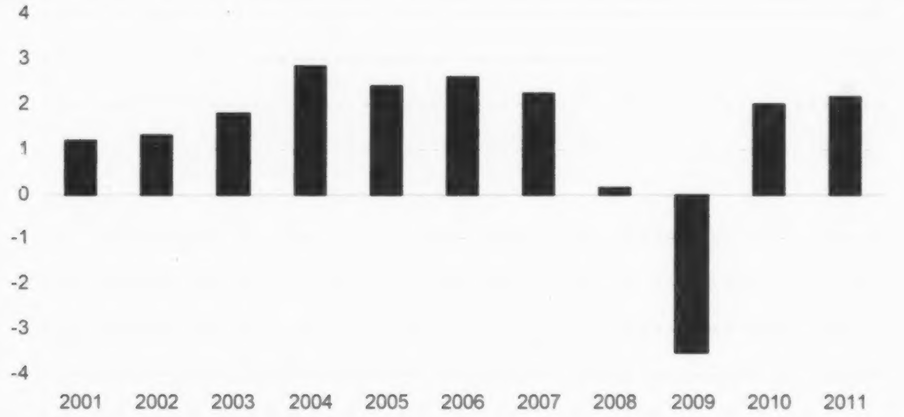
As government fiscal stimuli gradually fade in 2010 and 2011, consumers and businesses will have to take over from governments to ensure sustainable growth in economic activity.

This shift will be aided by continued low interest rates and a gradual improvement in credit conditions. Moreover, a gradual improvement in employment during 2010 will boost household confidence and sustain growth in consumption by increasing personal income. Similarly, private investment will pick up in response to increased consumer and business demand.

Although moderate, economic recovery will be stronger in Canada and the United States than in Europe, whose economy will remain fragile. After contracting by 3.5% in 2009, real GDP in G-7[3] countries is expected to grow by 2.0% in 2010 and 2.1% in 2011.

CHART B.5

**Economic growth among G-7 countries**
(real GDP, percentage change, data based on purchasing power parity)



Sources: Datastream, IHS Global Insight, Eurostat and ministère des Finances du Québec.

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[2] For additional information on the global economic outlook, see Section 3.

[3] Consists of the United States, Japan, Germany, the United Kingdom, France, Italy and Canada.

The extent of economic recovery in advanced economies will be curtailed by:

— access to bank credit, which is more limited than before the financial crisis, as well as high unemployment rates and elevated levels of household debt in some countries, both of which continue to weaken consumer confidence;

— the fiscal efforts required by government to balance their budgets.

In **Canada**, real GDP growth will reach at 2.7% in 2010 and then accelerate to 3.0% in 2011 due to stronger US demand for Canadian goods.

In the **United States**, the economy will grow at a rate of 2.7% in 2010 and 2011. Consumers and businesses will gradually replace the government as the engine of economic recovery.

In the **euro area**, real GDP growth will remain modest, at a rate of 0.9% in 2010 and 1.5% in 2011, primarily due to persistently high unemployment rates, which will curb consumption.

In the **United Kingdom**, economic growth will be limited to 0.9% in 2010 and 1.7% in 2011 owing to high unemployment and household debt.

In **Japan**, the economy will benefit from its dynamic Asian partners, but will continue to be affected by weak domestic demand and deflation. Real GDP is thus expected to grow 1.4% in 2010 and 1.1% in 2011.

TABLE B.2

### Economic outlook around the world

(real GDP, percentage change)

| | Weight in global GDP in 2008[1] | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| **World[1]** | **100.0** | **– 0.8** | **3.7** | **3.9** |
| **Advanced economies[1]** | **54.5** | **– 3.2** | **2.0** | **2.2** |
| - Canada | 1.9 | – 2.6 | 2.7 | 3.0 |
| - United States | 20.6 | – 2.4 | 2.7 | 2.7 |
| - Euro area | 15.7 | – 4.1 | 0.9 | 1.5 |
| - United Kingdom | 3.2 | – 5.0 | 0.9 | 1.7 |
| - Japan | 6.3 | – 5.2 | 1.4 | 1.1 |
| **Emerging Asian economies[1]** | **20.7** | **6.8** | **8.0** | **7.5** |
| - China | 11.4 | 8.7 | 9.4 | 8.3 |
| - India | 4.8 | 6.8 | 7.4 | 7.8 |
| **Other economies[1, 2]** | **24.8** | **– 2.2** | **3.8** | **4.5** |

1 Based on purchasing power parity.
2 Includes, in particular, the emerging economies in Europe and Latin America and developing nations.
Sources: International Monetary Fund, Datastream, IHS Global Insight and ministère des Finances du Québec.

## ☐ Economic growth attenuated by measures to cut budget deficits

The numerous economic stimulus plans adopted around the world limited the extent of the recession and contributed significantly to the current recovery. However, they also sent government spending skyrocketing while revenues plunged amidst the recession. These plans call for sharp increases in government spending when revenues plunged due to the recession.

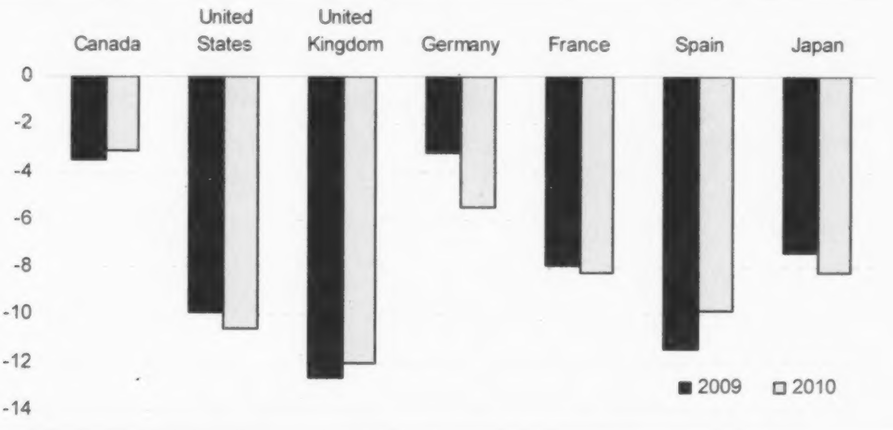
The widening gap between revenues and expenditures in 2008 and 2009 led to a significant deterioration in the public finances of several advanced economies. In 2010, fiscal deficits are expected to reach 3.1% of GDP in Canada, 10.6% in the United States, 12.0% in the United Kingdom and 9.8% in Spain, and exceed 8% of GDP in Japan and France, causing government debts to rapidly expand.

Governments of several economies will have to introduce measures in the next few years to cut their budget deficits in order to curb their debt load and preserve, among other things, their future capacity to support the economy again during difficult times.

The gradual withdrawal of major fiscal stimulus measures and subsequent introduction of measures to cut deficits will put a drag on economic recovery in advanced economies in the coming years, curtailing growth in their domestic demand.

CHART B.6

**Budget deficits of some advanced economies in 2009 and 2010**
(as a percentage of nominal GDP)



Sources: Budget documents of various countries and European Commission.

## 1.3 Conditions for sustainable global economic recovery

Thus far, the global economic recovery has been supported by the numerous monetary and budget stimulus programs adopted by G-20[4] governments to sustain economic activity in 2009 and 2010.

These programs should be sufficient to enable households and businesses to take over from governments in driving economic growth in 2011. However, sustainable recovery in the global economy depends on a number of conditions, including:

- the negative effects of the financial crisis on banking activity and credit access conditions will be mitigated in 2010;
- national governments and central banks as a whole proceed with a gradual and gauged withdrawal of their economic support policies;
- the negative impact of economic and budget problems in European countries such as Greece and Spain will remain limited mostly to Europe and will not hinder global economic recovery;
- the Chinese economy continues to perform well, while the measures introduced by public authorities to prevent the economy from overheating temper but not stop growth.

However, some of these conditions may not be fully met, in which case global economic growth would be attenuated.

### ☐ Continuing effects of the financial crisis

Despite the net improvement in financial markets in 2009, credit conditions remain more restrictive than prior to the recession. Credit supply and demand in advanced economies are still weakened by the financial crisis, curtailing growth in consumption and investment.

- US banks continue to tighten their credit standards for most types of loans both to households and to the business sector. However, the standards are not as tight as during the recession.
- In Europe, financing conditions for households and businesses, while remaining restrictive, are also improving.

The negative effects of the financial crisis may last longer, thereby curbing growth in consumption and investment in advanced economies and adversely affecting foreign trade.

---

[4] Economic forum consisting of 19 countries and the European Union.

### ❑ End of economic stimulus measures

The stimulus measures introduced by governments around the world will expire within two years. It is not often in recent history that budgetary and fiscal policies have been tightened at the same time, which is what makes this current growth cycle different from previous ones and creates additional uncertainty.

With the current global economic recovery still fragile, ending economic stimulus measures too fast and too much at the same time, notably in the United States, could make it harder for consumers and businesses to take over from governments in 2011 as the principal engine of economic growth, thereby jeopardizing the recovery.

### ❑ Budget crisis in European economies

A number of European countries are currently caught under very large budget deficits, This is particularly the case in Greece, Spain, Portugal and the United Kingdom.

The situation has resulted to high financing costs for some of these countries and a decline in the value of the euro, the pound sterling and European stock markets.

The resulting negative impact on the international economic and financial system could dampen the global economic recovery.

### ❑ Performance of the Chinese economy

Owing to its key contribution to the demand for commodities, its driving role in Asia's economic expansion and its growing weight in the world economy, China has a major influence over global economic growth.

In an effort to rein in the real estate market and tighten bank credit, the Chinese authorities recently introduced measures to prevent the economy from overheating and plan to take more action in this regard. The impact of these steps on China's economic growth could be more negative than anticipated.

A greater-than-anticipated slowdown in the Chinese economy would attenuate the growth of China's Asian trading partners and would have an adverse effect on commodity prices by dampening demand for commodities.

## 2. THE ECONOMIC SITUATION IN QUÉBEC

This section presents the economic outlook for Québec, particularly changes in real GDP and its components in 2010 and 2011 as well as the five-year economic outlook.

### 2.1 The economic recovery is well underway

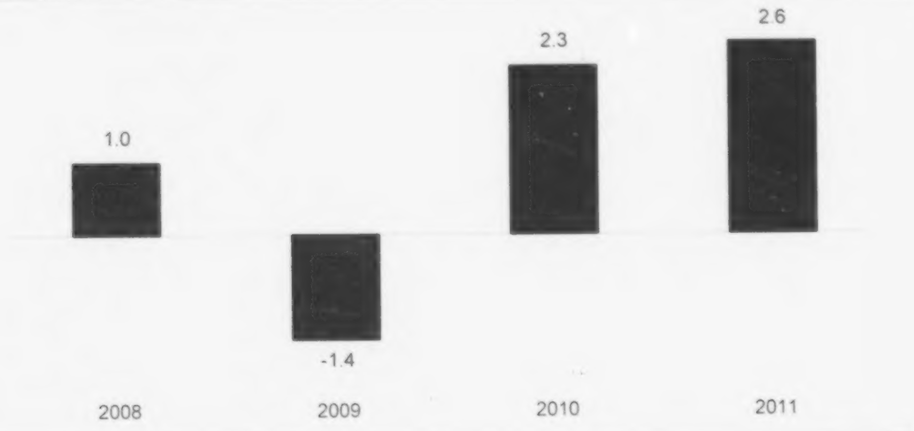
As in many advanced economies, the recovery in economic activity is well under way in Québec. After falling for three quarters, real GDP began growing again in the third quarter of 2009. Québec weathered the global economic crisis better than its main trading partners. Output and employment declined less in Québec than in Ontario, Canada and the United States.

After dropping 1.4% in 2009, real GDP is expected to rise 2.3% in 2010, driven by a recovery in household spending, government investments and an increase in US demand for Québec products. In 2011, the anticipated upturn in business non-residential investment will boost economic growth in Québec to a projected 2.6%.

This recovery should be accompanied by the creation of 38 700 jobs in 2010 and 41 600 jobs in 2011.

CHART B.7

**Economic growth in Québec**
(real GDP, percentage change)



Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

## Evolution of Québec economy in 2009, by industrial sector

Total industrial output in Québec fell 1.4% in 2009, compared with a decrease of 2.9% in Canada.

The recession hit goods-producing industries the hardest, dragging their output down in both Québec (– 5.8%) and Canada (– 9.2%). The service sector, for its part, boosted economic activity in Québec (+0.5%), but contributed to a decline in output in Canada (– 0.1%).

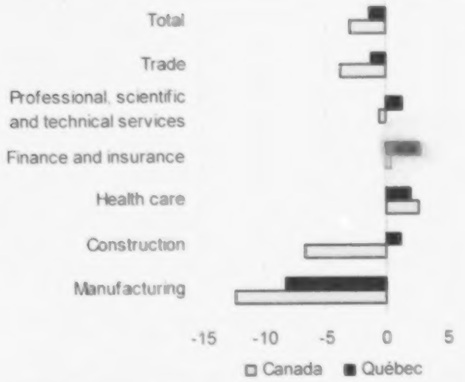
A closer look shows how sectors were affected differently in Québec and Canada.

- Construction activity rose in Québec (+1.1%), but declined in Canada (– 6.7%).
- The decline in output from the trade sector was not as sharp in Québec (– 1.2%) as in Canada (– 3.8%) because retail sales did not drop as much (– 0.9% versus – 3.0%).

The manufacturing sector experienced fewer problems in Québec (– 8.2%) than in Canada (– 12.3%) due to more favourable development in most sectors, particularly that of chemical products (+ 8.9% versus – 7.9%) and transportation equipment (– 10.4% versus – 18.1%).

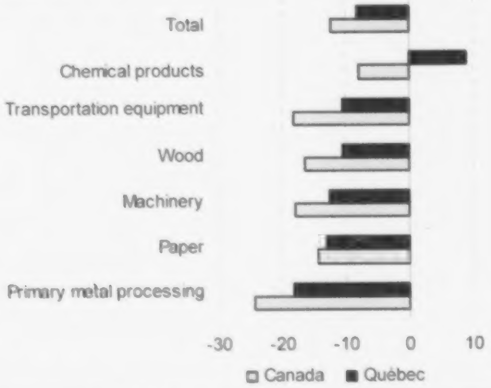
- In Canada, vehicle production (– 30.1%) and auto-parts production (– 23.7%) fell sharply, with the downturn in the US auto industry.
- In Québec, production in the aerospace industry fell, but not as much (– 8.5%).

**Output by industry in Québec and Canada in 2009**
(percentage change)



Sources: Institut de la statistique du Québec and Statistics Canada.

**Components of the Québec and Canadian manufacturing sector in 2009**
(percentage change)



Sources: Institut de la statistique du Québec and Statistics Canada.

## 2.2 Contribution of households to economic growth

### ☐ Personal household expenditures

After dropping 0.6% in 2009, real consumer spending is expected to grow at a faster pace and hit 2.3% in 2010 and 1.8% in 2011. In particular, after declining in 2009, consumption of durable goods is expected to increase in 2010 and 2011. The rebound in consumption will be driven by:

— the rise in consumer confidence in Québec, with the confidence index increasing from a low of 44.9 points in December 2008 to 83.4 points in March 2010, a level close to the pre-recession high;

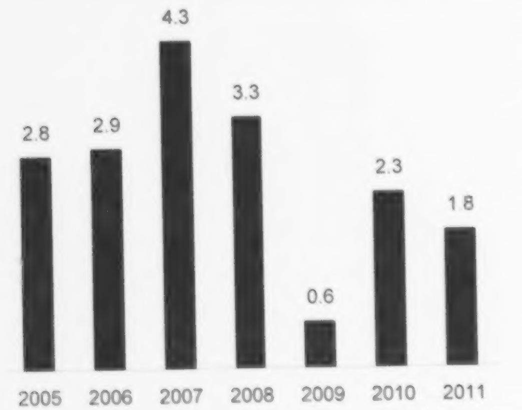
— employment growth, which is expected to be 1.0% in 2010 and 1.1% in 2011, after dropping 1.0% in 2009;

— growth in real personal income, which is expected to reach 1.5% in 2010 and 1.1% in 2011;

— continued low interest rates despite a slight hike starting in the second half of 2010.

CHART B.8

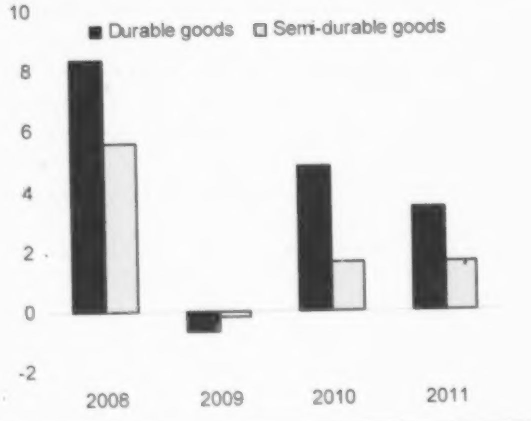
**Personal household expenditures in Québec**
(percentage change in real terms)



Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

CHART B.9

**Consumption of durable and semi-durable goods in Québec**
(percentage change in real terms)



Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

## ☐ Residential investment

After falling 1.5% in real terms in 2009, residential investment, which includes construction and renovation expenditures, is expected to expand 2.2% in 2010 and then dip 0.5% in 2011.

### ■ Housing starts

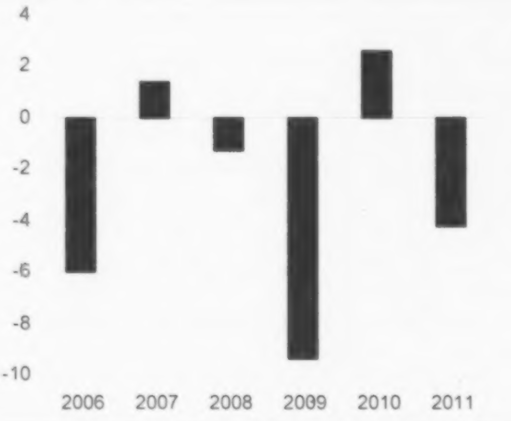
After dropping 9.4% in 2009, housing starts are expected to rise 2.6% in 2010, fuelled by an upturn in employment and continued low interest rates. In 2011, higher mortgage rates will make home ownership less affordable, causing new housing construction to fall 4.2% to 42 700 units, a nevertheless higher than the average level for the last ten years.

### ■ Renovation expenditures

After increasing 3.9% in real terms in 2009, primarily thanks to the Québec and federal governments' home renovation tax credits, renovation expenditures are expected to dip 1.2% in 2010 and then increase again in 2011 as economic growth strengthens. However, the increase will be limited by higher interest rates.

CHART B.10

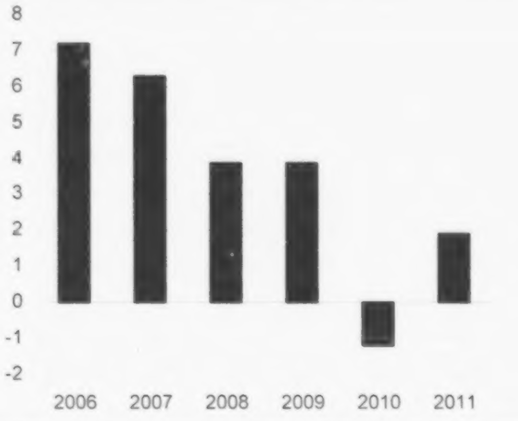
**Québec housing starts**
(percentage change)



Sources: Canada Mortgage and Housing Corporation and ministère des Finances du Québec.

CHART B.11

**Québec home renovation**
(percentage change in real terms)



Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

## Québec residential sector: a rising market that weathered the recession well

The Québec housing market has been on an upswing since 1998. Between 1998 and 2007, residential construction expenditures for Québec rose at an average annual rate of 6.6%.

- The previous upward cycle was shorter, lasting from 1982 to 1987, and was followed by a sharp decline in Québec residential investment from 1988 to 1997.

In 2008 and 2009, the housing market suffered the impacts of the economic slowdown, although construction spending still remained high. Residential investment began growing again in the third quarter of 2009.

The price of existing housing has continued to rise rapidly since 1998. Between 1998 and 2007, house prices increased at an average annual rate of 7.4%. During the slowdown in 2008 and recession in 2009, growth moderated to an average rate of 4.2%.

- Between 1988 and 1997, house prices levelled off.

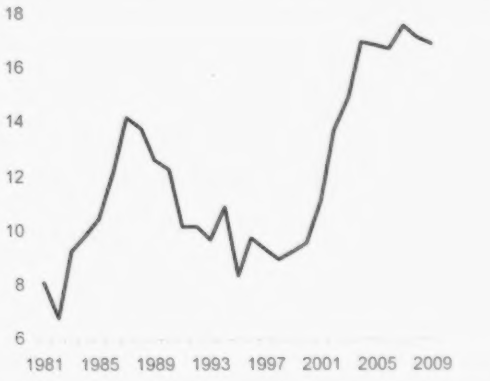
The currently robust Québec housing market is fuelled by fundamental factors that drive housing demand.

- Housing is more affordable, primarily due to the cuts in mortgage rates. In addition, the easing of borrowing conditions and government programs to stimulate home ownership created a larger pool of new buyers.
- The significant improvement in the labour market and the tax cuts introduced by governments in the early 2000s spurred growth in personal disposable income and improved the economic situation of households.
- Lastly, housing demand was supported by the sustained increase of new households.

A number of favourable conditions for the real estate market remains in place for 2010, first among them the anticipated upturn in the labour market. In the medium term, however, demand for new houses is expected to wane in the wake of interest rate hikes. Also, the new measures announced by the federal government on February 16, 2010, regarding the maximum loan for mortgage refinancing, the increase in the minimum downpayment for a property and the tighter conditions for obtaining a mortgage loan will help keep the real estate market healthy and reduce the risk of overheating.

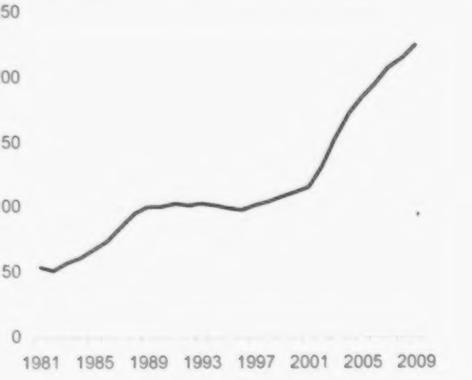
- We can therefore expect to see a downturn in expenditure on residential construction and some stabilization in house prices.

**Residential construction spending in Québec**
(billions of real dollars)



Source: Institut de la statistique du Québec.

**Average price of existing housing in Québec**[1]
(thousands of nominal dollars)



[1] Resale prices taken from the Multiple Listing Service.
Source: Canadian Real Estate Association.

## 2.3 Non-residential investment

The value of non-residential investment in Québec dropped 0.8% in 2009, where a 15.0% decrease in private investment was offset by a 18.9% increase in public investment.

In 2010, the value of non-residential investment will rise 5.2% to reach $42.0 billion. This increase will be supported primarily by significant growth in public investment.

TABLE B.3

**Non-residential investment in Québec**
(billions of dollars, except where otherwise indicated)

| | 2008 | 2009 | 2010 |
|---|---|---|---|
| Total investment | 40.2 | 39.9 | 42.0 |
| *% change* | *6.4* | *−0.8* | *5.2* |
| Private investment | 23.3 | 19.8 | 20.1 |
| *% change* | *−2.0* | *−15.0* | *1.5* |
| Public investment | 16.9 | 20.1 | 21.9 |
| *% change* | *20.5* | *18.9* | *8.8* |

Source: Statistics Canada survey on private and public investment intentions, February 26, 2010.

### ☐ Private investment

Businesses generally curb their investments during an economic slowdown to account for production cuts and lower profits.

That is precisely what they did during the recession of 2009. Several businesses put off planned investments due to weak exports and domestic demand.

As the economy recovered, businesses have begun increasing their production and some have even started hiring new employees. However, before returning to high levels of investment, businesses will have to reduce unused production capacity due to the recession.

— For example, following the 1991 recession, it took two years for businesses to start investing again.

According to Statistics Canada, private non-residential investment in Québec should increase 1.5% in 2010, after dropping for two years. The private sector will spend $20.1 billion in 2010, up $300 million from $19.8 billion in 2009.

- Investment intentions are higher for 2010 in the mining, oil and gas extraction, construction, manufacturing and transportation and warehousing sectors.
- However, less spending is planned in the information and communication, finance and insurance and wholesale and retail trade sectors.

TABLE B.4

**Non-residential investment in Québec, select sectors**
(nominal percentage change)

| | 2008 | 2009 | 2010 |
|---|---|---|---|
| Mining, oil and gas extraction | 16.6 | – 13.6 | 35.1 |
| Construction | 0.6 | 0.8 | 1.8 |
| Manufacturing | 6.3 | – 24.0 | 8.0 |
| - Primary metals | 20.5 | – 32.0 | 43.1 |
| - Transportation equipment | – 10.6 | – 29.5 | 7.5 |
| Transportation and warehousing | – 1.3 | – 8.7 | 37.2 |
| Information and communication | 17.3 | 4.4 | – 2.6 |
| Finance and insurance | – 22.5 | – 15.7 | – 9.1 |
| Wholesale and retail trades | 11.7 | – 23.9 | – 0.4 |

Source: Statistic's Canada survey on private and public investment, February 26, 2010.

Non-residential investment should continue to rise faster in 2011.

## ☐ Public investment

After increasing by more than 50% between 2006 and 2009, public investment is expected to rise 8.8% in 2010, to $21.9 billion. As a percentage of GDP, public investment is expected to increase from 4.7% of GDP in 2007 to 6.9% in 2010.

Public investment by the Québec government and Hydro-Québec will have enabled nearly 100 000 jobs to be sustained in 2009 and again in 2010.

## 2.4 Rebound in exports starting in 2010

The reduction in worldwide demand for Québec products, particularly from the United States and Canada, pulled Québec exports down by 11.4% in real terms in 2009.

— The decline in exports was less severe in Québec than in Canada (– 14.0%), Ontario (– 14.6%), Germany (– 14.7%) and Japan (– 24.0%).

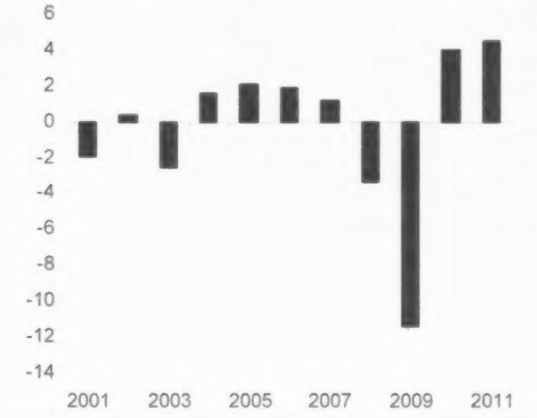
In 2009, the building materials (– 24.7%) and machinery and equipment (– 23.6%) sectors contracted following the sharp drop in investments in the United States. For their part, the pulp and paper (– 21.1%) and primary metals (– 17.7%) industries were affected by the sharp downturn in worldwide demand.

The gradual revival in global economic growth, particularly US demand for foreign manufactured goods and natural resources, is expected to push Québec exports up 4.0% in 2010 and 4.5% in 2011.

CHART B.12

**Total Québec exports**

(percentage change in real terms)

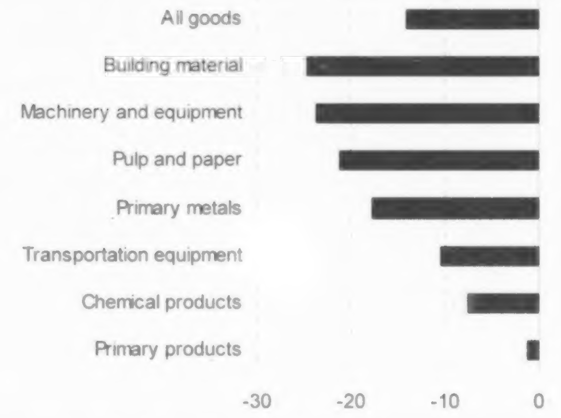


Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

CHART B.13

**Québec's international exports of selected goods in 2009**

(percentage change in real terms)



Source: Institut de la statistique du Québec, on a custom's basis.

### Positive outlook for Québec products

Québec is highly integrated into the US economy, which accounts for 72% of its international exports. The economic recovery under way in the United States will boost Québec exports.

Already since the third quarter of 2009, growth in US household consumption has led to an increase in US demand for foreign products.

According to the index of US economic activity weighted by trade with Québec,[1] sectors of the US economy linked to Québec exports should grow 5.7% in 2010 and 6.2% in 2011.

Québec exports of intermediate products, construction materials and transportation products should rise more than 10%, whereas exports of consumer goods should increase less as a result of more moderate growth in US household spending.

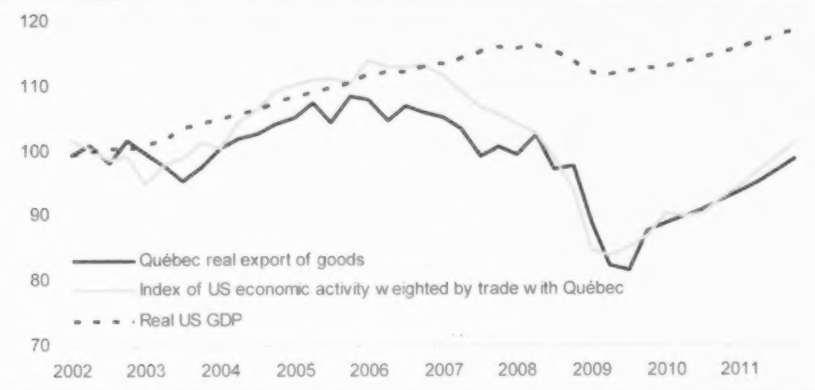
**Index of US economic activity weighted by trade with Québec**
(percentage change)

| | Weight in index | 2009 | 2010 | 2011 |
|---|---|---|---|---|
| Machinery and equipment | 23.9 | – 9.8 | 4.2 | 4.2 |
| Consumer goods | 20.5 | – 2.8 | 1.0 | 0.9 |
| Intermediate products[1] | 19.6 | – 22.3 | 11.2 | 15.6 |
| Transportation | 19.1 | – 30.1 | 14.5 | 1.6 |
| Pulp and paper | 10.2 | – 13.7 | – 2.9 | – 3.0 |
| Construction materials | 6.7 | – 37.9 | 21.9 | 51.7 |
| **TOTAL** | **100.0** | **– 15.2** | **5.7** | **6.2** |

1 Corresponds primarily to investment in equipment and software.
Sources: IHS Global Insight and ministère des Finances du Québec.

The index of US economic activity weighted by trade with Québec enables a more accurate forecast of change in demand for Québec products than the US real GDP. The index shows that the recovery in Québec exports will outpace the recovery in real US GDP. While real US GDP is expected to increase by only 2.7% in 2010 and 2011, the economic activity index projects roughly 6% growth in real Québec exports for the same two years.

**Index of US economic activity weighted by trade with Québec**
(index, year 2002 = 100)



Sources: Institut de la statistique du Québec, IHS Global Insight and ministère des Finances du Québec.

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[1] For additional information on the composition of the US economic activity index weighted by trade with Québec, see page 30 of the document *Update on Québec's Economic and Financial Situation*, published in fall 2009.

## ☐ Upswing in imports

Québec is a small open economy that operates in a highly competitive global environment. Accordingly, it imports an increasing amount of consumer goods and services, such as automobiles, and machinery and equipment. Increasingly, Québec is using imported inputs to manufacture end products destined for its local and foreign markets.

Consequently, the anticipated increase in domestic demand of 2.5% in 2010 and 2.2% in 2011, coupled with the upswing in exports, should boost imports by 5.2% in 2010 and 3.7% in 2011.

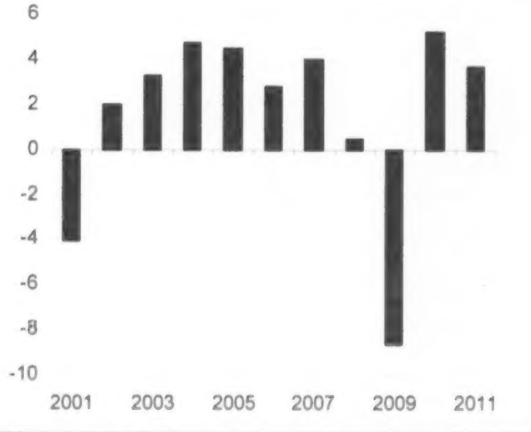
## ☐ Net exports

Net exports, which account for export and import dynamics, will shave 1.0 percentage points off economic growth in 2010. They are expected to make a slight contribution to economic growth in 2011.

CHART B.14

**Total Québec imports**

(percentage change in real terms)

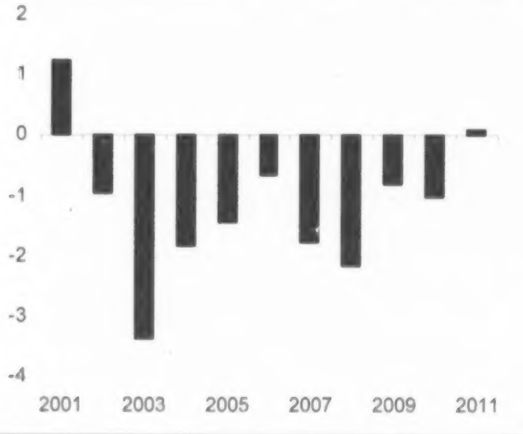


Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

CHART B.15

**Contribution of net exports to Québec's economic growth**

(as a percentage of real GDP)



Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

## 2.5 Labour market

Data from the last few months show improvements in the labour market. Between July 2009 and February 2010, 50 100 jobs were created, enabling Québec to recover nearly three quarters of the 67 500 jobs lost between October 2008 and July 2009. The improved economic outlook should enable creation of 38 700 jobs in 2010 and 41 600 jobs in 2011.

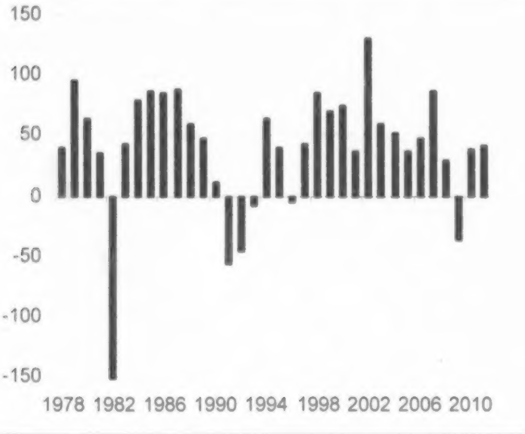
In 2009, the recession will nevertheless have caused the first drop in employment in Québec since 1996, with 37 500 jobs shed. In particular:

- The transportation and warehousing, lodging and food services and manufacturing sectors experienced significant job losses;
- jobs gains were observed however in the health care and social services and professional, scientific and technical services sectors.

The deterioration in the labour market caused the unemployment rate to jump from 7.2% in 2008 to 8.5% in 2009. Over the next two years, the projected increase in employment will closely mirror the increase in the labour force. Accordingly, the unemployment rate will remain relatively high due to the increase in the number of people seeking work, hitting 8.5% in 2010 and 8.4% in 2011. These rates are still far lower than those seen after the previous recessions, i.e. 14.2% in 1983 and 13.2% in 1993.

CHART B.16

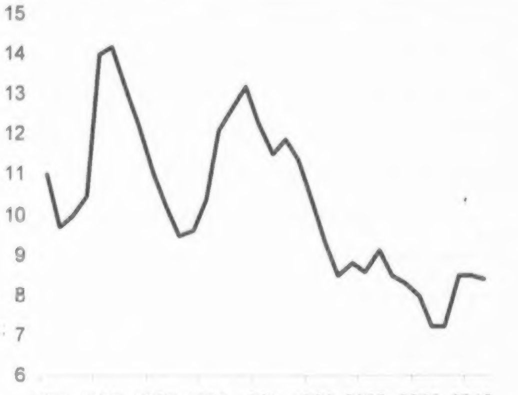
**Job creation in Québec**
(thousands)



Sources: Statistics Canada and ministère des Finances du Québec.

CHART B.17

**Unemployment rate in Québec**
(percent)



Sources: Statistics Canada and ministère des Finances du Québec.

## 2.6 Change in nominal GDP

After contracting 0.4% in 2009, nominal GDP, which includes the effects of price increases and on which growth in government revenue depends, will climb 4.0% in 2010 and 4.5% in 2011. Nominal GDP growth will include an increase in the price of local goods and services of 1.7% in 2010 and 1.8% in 2011.

The projected rise in nominal GDP over the next two years will increase the government's tax bases.

- Profits will increase 14.5% in 2010 and 8.0% in 2011.
- Nominal consumption will increase 4.0% in 2010 and 4.2% in 2011.
- Personal household income will edge up 3.1% in 2010 and 3.5% in 2011.

### ☐ Consumer price index

The consumer price index, which includes imported goods and services, will grow 2.0% in 2010 and accelerate to 2.9% growth in 2011.

TABLE B.5

**Change in GDP and price indexes**
(percentage change)

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Nominal GDP | – 0.4 | 4.0 | 4.5 |
| Real GDP | – 1.4 | 2.3 | 2.6 |
| GDP price index | 0.9 | 1.7 | 1.8 |
| Consumer price index | 0.6 | 1.9 | 2.9 |

Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

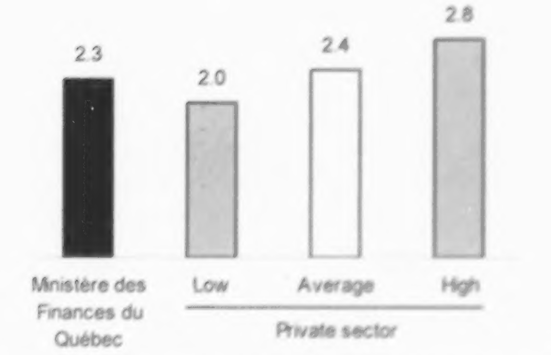
## 2.7 Comparison with the private sector

The economic growth forecast of the ministère des Finances du Québec for 2010 and 2011 is similar to the average of private sector forecasts.

- In 2010, the ministère des Finances du Québec expects the economy to grow 2.3%, compared with a 2.4% growth forecast by the private sector.
- In 2011, the ministère des Finances projects economic growth of 2.6%, compared with the private sector forecast of 2.7%. The wide gap between 2011 growth forecasts by the private sector, which range from 2.2% and 3.5%, reflects the degree of uncertainty over future economic developments.

CHART B.18

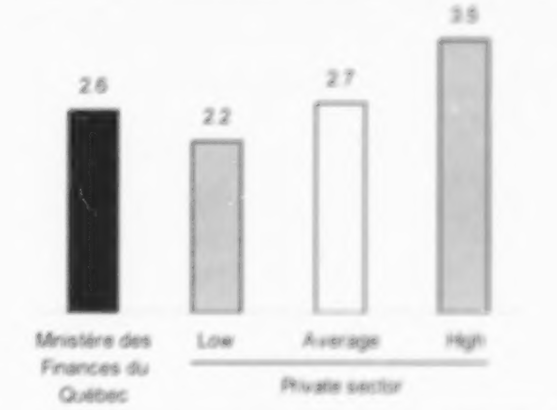
**Economic growth in Québec, 2010**
(real GDP, percentage change)



Source: Ministère des Finances du Québec summary as of March 22, 2010, that includes the forecasts of 10 private sector institutions.

CHART B.19

**Economic growth in Québec, 2011**
(real GDP, percentage change)



Source: Ministère des Finances du Québec summary as of March 22, 2010, that includes the forecasts of 10 private sector institutions.

TABLE B.6

### Economic outlook for Québec

(percentage change, except where otherwise indicated)

| | 2009 | 2010 | 2011 |
|---|---:|---:|---:|
| **Output** | | | |
| Nominal GDP ($ billion) | 300.9 | 313.0 | 327.1 |
| Nominal GDP | – 0.4 | 4.0 | 4.5 |
| Real GDP | – 1.4 | 2.3 | 2.6 |
| **Components of GDP (in real terms)** | | | |
| Consumption | 0.6 | 2.3 | 1.8 |
| Current government expenditures | 3.0 | 2.2 | 2.0 |
| Residential investment | – 1.5 | 2.2 | – 0.5 |
| Non-residential investment | – 5.5 | 3.9 | 6.4 |
| Exports | – 11.4 | 4.0 | 4.5 |
| Imports | – 8.6 | 5.2 | 3.7 |
| **Population and labour market** | | | |
| Population (thousands) | 7 829 | 7 905 | 7 971 |
| Population 15 years and over (thousands) | 6 595 | 6 647 | 6 709 |
| Jobs (thousands) | 3 844 | 3 883 | 3 924 |
| Job creation (thousands) | – 37.5 | 38.7 | 41.6 |
| Unemployment rate (%) | 8.5 | 8.5 | 8.4 |
| Employment rate (%) | 59.7 | 59.7 | 59.8 |
| **Other economic indicators** | | | |
| Nominal consumption | 1.0 | 4.0 | 4.2 |
| Housing starts (thousands of units) | 43.4 | 44.6 | 42.7 |
| Personal income | 1.2 | 3.1 | 3.5 |
| Wages and salaries | 1.4 | 3.0 | 3.4 |
| Corporate profits | – 23.8 | 14.5 | 8.0 |
| Consumer prices | 0.6 | 2.0 | 2.9 |
| Per capita nominal GDP ($) | 38 431 | 39 597 | 41 039 |
| Par capita disposable personal income ($) | 25 730 | 26 223 | 26 882 |

Sources: Institut de la statistique du Québec, Statistics Canada and ministère des Finances du Québec.

## 2.8 Five-year economic outlook

The revival in economic activity in Québec will lead to sustained growth in real GDP from 2010 to 2014, at a forecast average rate of 2.3%. This is higher than the trend of 2.1% growth observed from 1982 to 2008.

With the recovery well under way, Québec is in a position to implement the Plan to return to balanced budgets announced in the 2009-2010 Budget. The economic outlook contained in this budget takes account of that plan, which overall will reduce Québec's economic growth by an average 0.3% per year from 2011 to 2013.

### ❑ Comparison with the private sector

The forecast of the ministère des Finances du Québec for the period 2010-2014 is similar to private sector forecasts for changes in real GDP, prices and nominal GDP.

— Real GDP is expected to grow 2.3% between 2010 and 2014, essentially the same rate as forecast by the private sector (2.4%).

— Prices are expected to increase by 1.8%, on average, similar to the private sector forecast (1.9 %).

— Nominal GDP is expected to rise 4.2% between 2010 and 2014, essentially the same as the private sector forecast (4.3%).

TABLE B.7

**Economic outlook for Québec – comparison with private sector forecasts**
(percentage change)

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | Average 2010-2014 |
|---|---|---|---|---|---|---|---|
| **Real GDP** | | | | | | | |
| Ministère des Finances du Québec | – 1.4 | 2.3 | 2.6 | 2.4 | 2.3 | 2.1 | 2.3 |
| Average private sector forecast[1] | – 1.6 | 2.4 | 2.7 | 2.5 | 2.3 | 2.1 | 2.4 |
| **Price increases** | | | | | | | |
| Ministère des Finances du Québec | 0.9 | 1.7 | 1.8 | 1.9 | 1.9 | 1.8 | 1.8 |
| Average private sector forecast[1] | 0.3 | 1.8 | 2.1 | 2.0 | 2.0 | 1.9 | 1.9 |
| **Nominal GDP** | | | | | | | |
| Ministère des Finances du Québec | – 0.4 | 4.0 | 4.5 | 4.4 | 4.2 | 3.9 | 4.2 |
| Average private sector forecast[1] | – 1.3 | 4.2 | 4.8 | 4.5 | 4.2 | 3.9 | 4.3 |

[1] Ministère des Finances du Québec summary as of March 22, 2010, that includes the forecasts of 10 private sector institutions.

## ☐ A recession that will leave scars

The 2009 recession will leave scars in Québec in the coming years. Real GDP will not reach the pre-recession peak achieved in the third quarter of 2008 until the third quarter of 2010, i.e. after eight quarters.

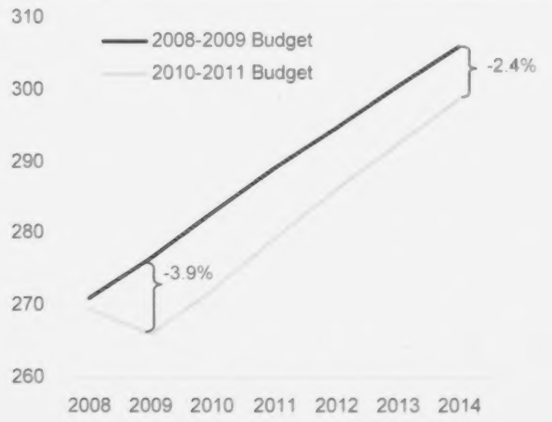
Even though real GDP is expected to rise steadily from 2010 to 2014, at an average rate of 2.3%, the impact of the recession on Québec's economic growth will have been only partially absorbed by the time the forecast period ends in 2014, when real GDP will be 2.4% below the level projected in the 2008-2009 Budget.

- The projected value of nominal GDP will be lower than forecast in the 2008-2009 Budget, by $17.0 billion in 2010 and $13.0 billion in 2014.

The gradual recovery of the US economy will constrain Québec's ability to make up lost ground during the forecast period. In 2014, US real GDP will thus be 5.4% below the level forecast prior to the recession.

CHART B.20

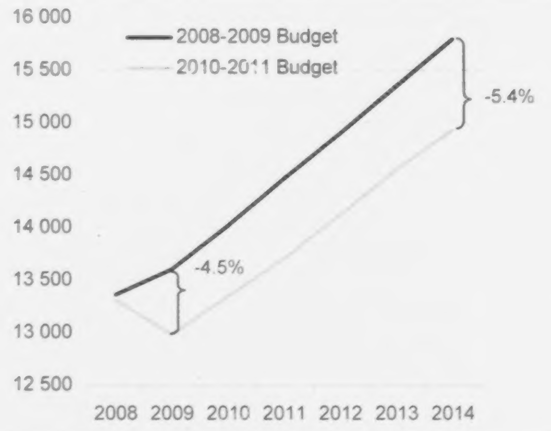
**Québec's real GDP**
(billions of dollars)



Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

CHART B.21

**US real GDP**
(billions US dollars)



Sources: IHS Global Insight and ministère des Finances du Québec.

## ■ A more competitive and constricting international context

Moreover, Québec's economy, like that of its neighbours, has been coping with a more challenging and competitive international environment in the past few years.

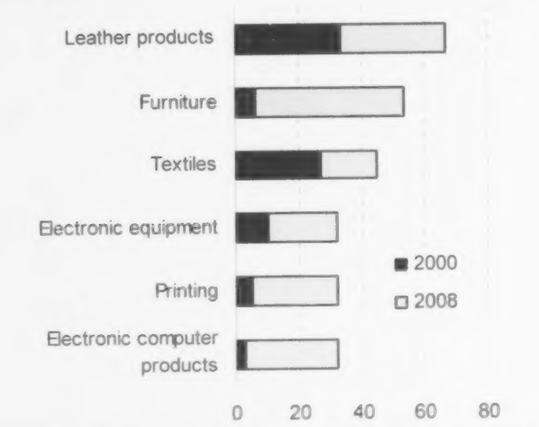
In particular, businesses are dealing with high energy prices, especially the sharp appreciation of the Canadian dollar against the US dollar, the arrival of new competitors on Québec's domestic and foreign markets, such as China and India and the cost of crude oil, which has nearly quadrupled in price per barrel since 2002.

— Since 2002, China has doubled its presence in the US market, winning large market shares in sectors where Québec traditionally operated, such as furniture, electronic equipment and printing.

The more competitive and constricting international context in which Québec now operates will therefore stop the growth of its exports over the next few years.

CHART B.22

**China's share of US market**
(share of Chinese products in total US imports, in per cent)

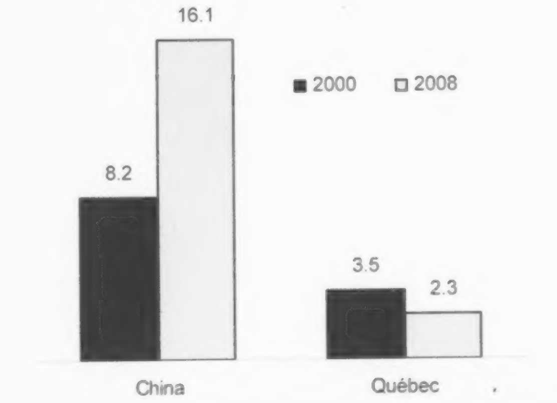


Source: US Census Bureau.

CHART B.23

**Shares of US market**

(shares of total US imports, in per cent)



Sources: Institut de la statistique du Québec and IHS Global Insight.

## 3. THE SITUATION OF QUÉBEC'S ECONOMIC PARTNERS

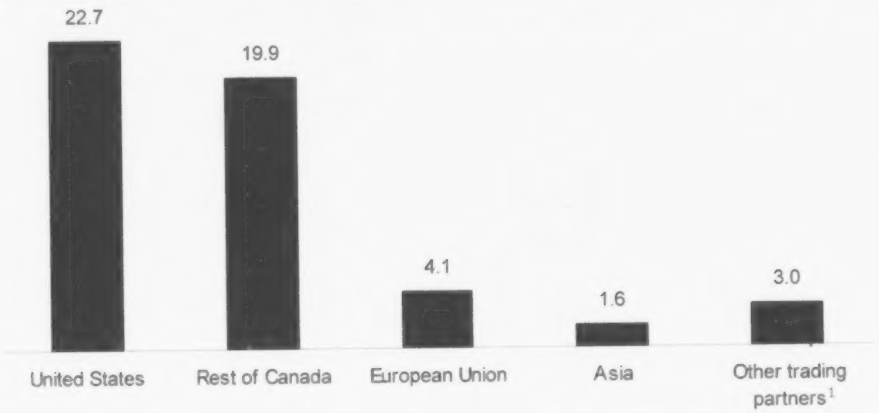
Québec is an open economy that depends heavily on the health of its trading partners, as it exports more than 50% of its GDP, mostly to the United States (22.7%) and the rest of Canada (19.9%).

The improved situation among Québec's economic partners since the third quarter of 2009 has already boosted production in Québec.

The economies of Québec's main trading partners, i.e. Canada, the United States, the European Union and Asia, will continue to recover in 2010 and then pick up speed in 2011.

CHART B.24

**Size of Québec exports by trading partner in 2008**
(percentage share of Québec's nominal GDP)



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1 Includes, in particular, Mexico, Brazil, Turkey and Australia.
Sources: Institut de la statistique du Québec, Statistics Canada and ministère des Finances du Québec.

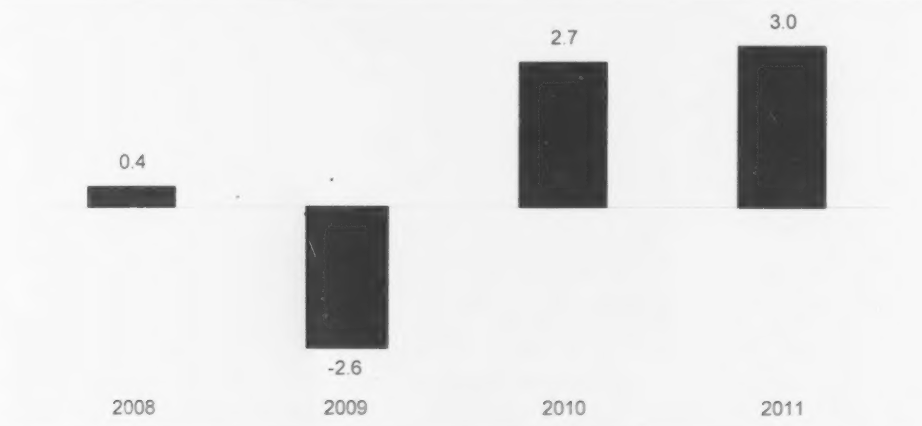
## 3.1 The situation in Canada

After being severely weakened by the recession in the United States, the Canadian economy began growing again in the third quarter of 2009. Canada's real GDP is expected to expand 2.7% in 2010, followed by more robust growth in 2011, driven by the upturn in exports. In 2011, real GDP is expected to rise 3.0%.

The Canadian economy will continue to benefit from the measures adopted by governments to support employment and public investments, the flexible monetary conditions implemented by the Bank of Canada and the US economic recovery.

CHART B.25

**Economic growth in Canada**
(real GDP, percentage change)



Sources: Statistics Canada and ministère des Finances du Québec.

### ☐ Household consumption and investments

Household consumption growth slowed to 0.2% in real terms in 2009. The stagnation of household consumption is primarily attributable to the loss of 277 000 jobs. More robust growth is expected in the coming quarters, spurred by the observed revival in household confidence, low interest rates and renewed job creation.

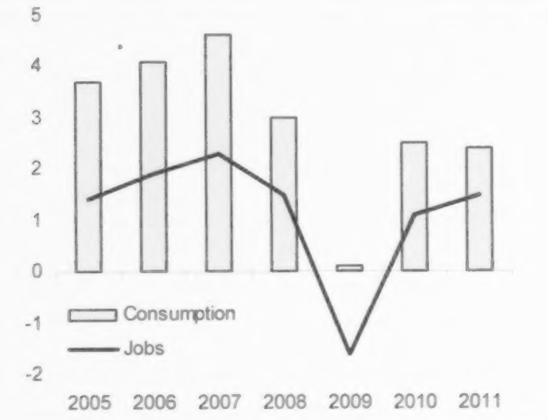
— Consumer spending is expected to rise 2.5% in 2010 and 2.4% in 2011.

Furthermore, reduced output and weak global demand led businesses to delay some of their investment projects, heading to a 17.4% decline in the volume of non-residential investment in 2009. Investments are expected to increase 4.5% in 2010 and by 5.8% in 2011, driven by a gradual recovery in production, particularly in the automotive and petroleum products sectors.

The recovery in consumption and investment will be accompanied by the creation of nearly 188 000 jobs in 2010 and 252 000 jobs in 2011.

CHART B.26

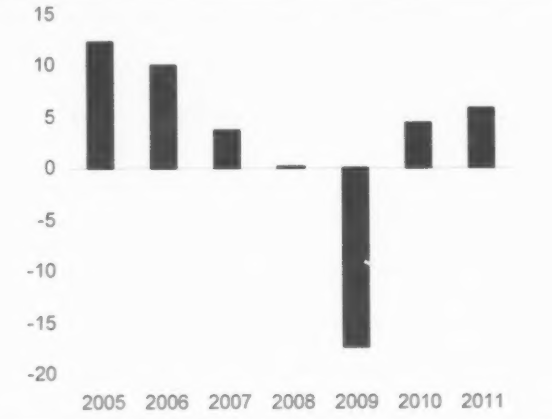
**Jobs creation and real consumer spending in Canada**
(percentage change)



Sources: Statistics Canada and ministère des Finances du Québec.

CHART B.27

**Business non-residential investment in Canada**
(percentage change in real terms)



Sources: Statistics Canada and ministère des Finances du Québec.

## ❑ Exports

The US recession severely affected Canadian exports, which declined 14.0% in real terms in 2009. However, they are expected to rise 5.3% in 2010 and 6.3% in 2011.

Stronger demand for commodities, especially oil, should drive an increase in production and exports in the mining and petroleum sectors. The gradual revival of North American demand for light vehicles and the need for car dealers to replenish their inventory should also spur production and exports in the automotive sector. However, the recovery will be slowed by an appreciation of the Canadian dollar.

- **Increase in global demand for commodities**

The global recession was accompanied by a decline in commodity prices in late 2008. Prices began increasing as the global economy gradually recovered.

In particular, after falling to US$36 per barrel in December 2008, the price of crude oil rose to an average of nearly US$76 per barrel in the fourth quarter of 2009. The average crude oil price should settle at $80 per barrel in 2010 and $93 in 2011.

The price of other commodities is also expected to go up in 2010 and 2011. This will have positive effects on Québec and Canada, which export natural resources. The price of non-oil commodities is projected to increase 4.0% in 2010 and 2.3% in 2011.

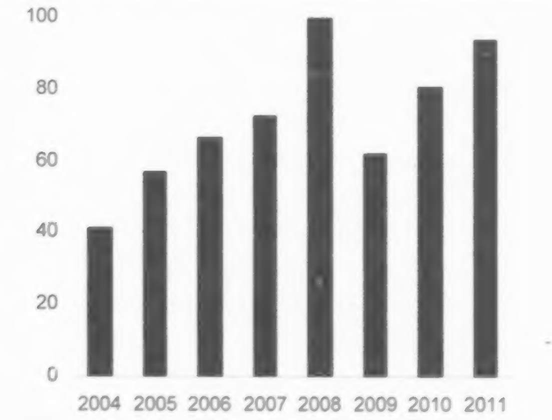
- **Recovery hampered by appreciation of the Canadian dollar**

Severely hit by the global recession, the Canadian dollar sank to a low of 76.9 US cents in March 2009 at height of the recession, but has since risen with the stronger global economy and the rise in commodity prices. After averaging 87.9 US cents in 2009, the value of the Canadian currency should continue to increase, reaching 98.2 US cents in 2010 and 99.8 US cents in 2011.

CHART B.28

**Price of a barrel of West Texas Intermediate (WTI) oil**

(US dollars)

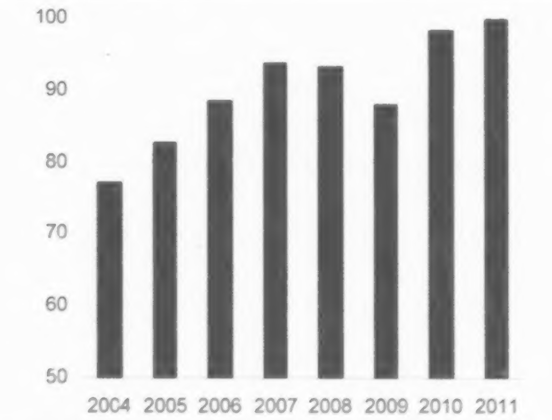


Sources: Bloomberg and ministère des Finances du Québec.

CHART B.29

**Canadian dollar exchange rate**

(US cents)



Sources: Bloomberg and ministère des Finances du Québec.

## ☐ The monetary policy remains accommodating

Since April 2009, the Bank of Canada overnight target rate has stood at 0.25%, a historic low. It has been cut by 425 basis points since December 2007 to deal with the international financial crisis and the recession. The Bank of Canada has made a conditional commitment, subject to inflation prospects, to maintain the target rate unchanged until the end of the second quarter of 2010.

The central bank should initiate monetary tightening in the third quarter of 2010. The target rate should rise gradually due to muted inflation prospects. The Bank of Canada will take household debt and the strong Canadian dollar, which will put downward pressure on economic growth and inflation, into account in its monetary policy.

Over the next two years, the target rate should gradually rise from 0.25% in mid-2010 to 2.0% at the end of 2011, an increase of 175 basis points.

Three-month Treasury bills will increase with the target rate, to 0.6% in 2010 and 1.7% in 2011. The yield on 10-year Canadian bonds will also rise as economic activity recovers, reaching 3.8% in 2010 and 4.5% in 2011.

TABLE B.8

**Canadian financial markets**
(percentage rate)

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| Overnight target rate | 0.4 | 0.5 | 1.4 |
| Treasury bills - 3 months | 0.4 | 0.6 | 1.7 |
| Bonds - 10 years | 3.3 | 3.8 | 4.5 |

Sources: Statistics Canada and ministère des Finances du Québec.

## 3.2 The economic situation in the United States

### ❑ Moderate economic recovery

The anticipated upturn in the US economy in 2010 and 2011 will be supported by domestic demand and exports.

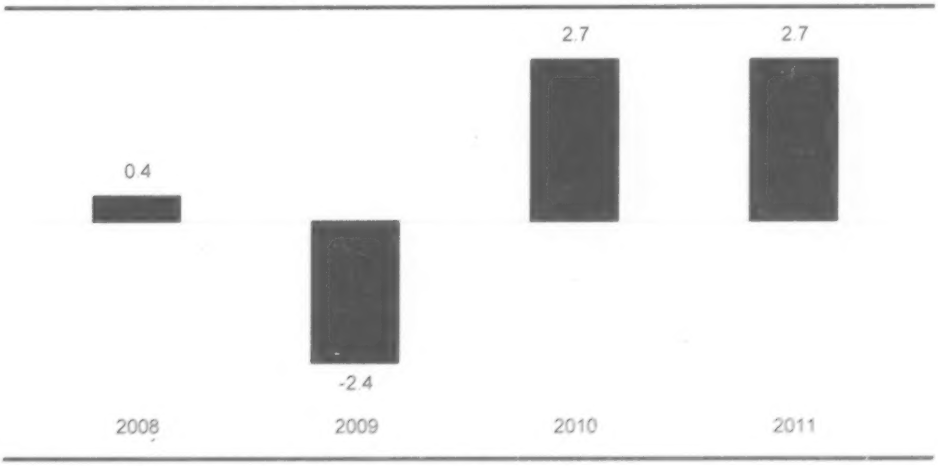
First, domestic demand is expected to grow at the moderate pace of 1.7% in real terms in 2010 and 2.5% in 2011, driven by better credit conditions for households and businesses and the gradual upswing in employment, which will spur consumption and investment. However, the gradual withdrawal of government stimulus measures and high household debt levels will moderate the pace of growth in domestic demand.

Second, growth in real US exports will be robust thanks to a favourable exchange rate and higher demand for US products from emerging economies. Overall, exports could contribute 1.1 percentage points to economic growth in 2010 and 0.9 percentage points in 2011.

After decreasing 2.4% in 2009, US real GDP is expected to grow 2.7% in 2010 and 2011.

CHART B.30

**Economic growth in the United States**
(real GDP, percentage change)



Sources: IHS Global Insight and ministère des Finances du Québec.

## ☐ Recovery fostered by stimulus measures

US economic activity fell sharply in early 2009, but got strong in the second half of the year, largely due to the measures introduced by public authorities to get the economy moving again in 2009 and 2010:

— a US$787-billion economic stimulus plan containing numerous transfers to households to boost consumption in addition to an important public investment plan. As a result of these measures, fewer jobs were lost in the second half of 2009;

— a Cash for Clunkers program to encourage people to scrap older vehicles and buy new ones;

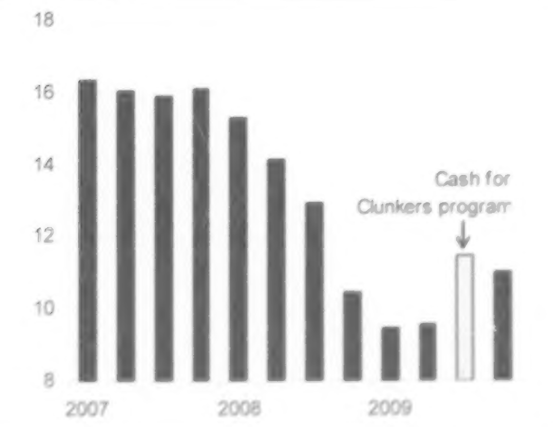
— several initiatives designed to stabilize and support the real estate sector, including a first-time home buyer tax credit, a program to curb home foreclosures and steps taken by the US Federal Reserve to lower mortgage rates.

In addition, after quickly liquidating their inventory during the recession rather than increase production, companies moderated this behaviour starting in the third quarter of 2009 as demand for their products increased. This move was an important support of economic growth.

CHART B.31

**New-vehicle sales in the United States**

(millions of units)

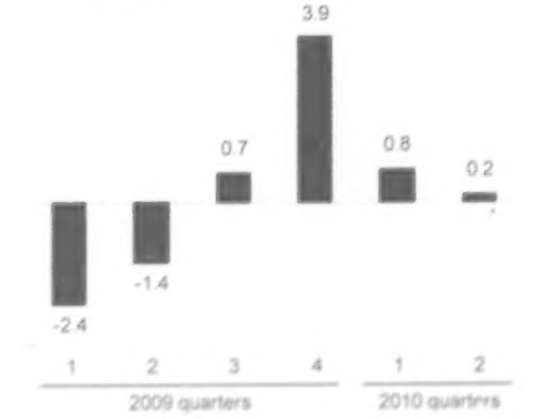


Sources: IHS Global Insight and ministère des Finances du Québec.

CHART B.32

**Contribution of inventory to US economic growth**

(percentage of real GDP)



Sources: IHS Global Insight and ministère des Finances du Québec.

### ❑ Household spending will sustain employment recovery

Between the start of the recession in December 2007 and January 2010, over 8.4 million jobs were lost in the United States, pushing the unemployment rate up from 5.0% to 9.7%.

The US labour market stabilized at the end of the second half of 2009 and should gradually pick up starting in the first quarter of 2010. However, average unemployment rates of 10.0% and 9.6% are expected in 2010 and 2011, respectively. Job creation will be supported notably by:

— the nearly-US$100 billion employment stimulus package provided for in the government's 2011 budget;

— the temporary hiring of workers for the US population census, in the first half of 2010.

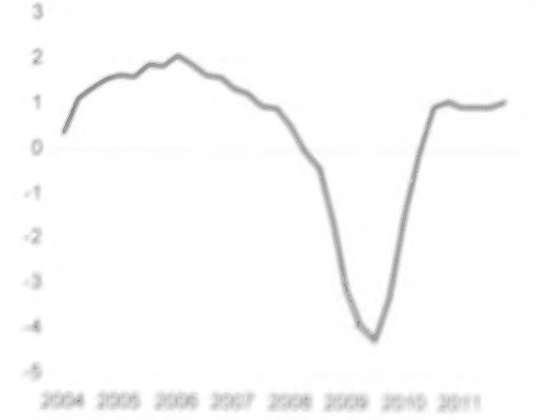
The gradual upswing in the labour market, which will contribute to growth in revenues, and the improved credit conditions in the banking sector, will sustain growth in consumption in 2010 and 2011.

However, this growth will be moderated by the need for households to increase savings rates to restore their finances. Consumption is therefore expected to grow gradually, rising from – 0.6% in 2009 to 1.8% in 2010 and 2.1% in 2011.

CHART B.33

**Employment changes in the United States**

(average yearly change by quarter)

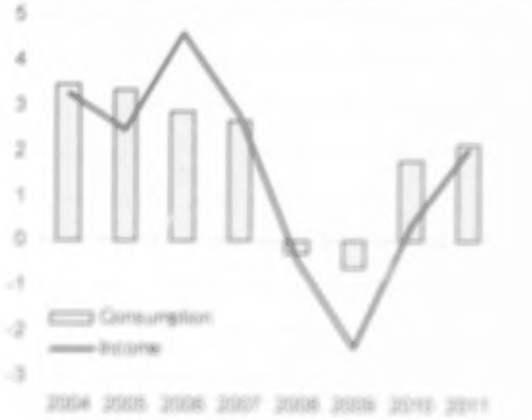


Sources: IHS Global Insight and ministère des Finances du Québec.

CHART B.34

**Consumption and income in the United States**

(percentage change in real terms)



Sources: IHS Global Insight and ministère des Finances du Québec.

### ☐ Moderate growth in investment

Residential investment picked up in 2009, sustained by the 20% upturn in housing starts between April and December. Government stimulus measures, such as the first-time home buyer tax credit, played a key role in the sector's stabilization. However, the revival of residential real estate activity should slow temporarily during 2010 as government support programs for this sector end.

Thus, real residential investments will climb 5.6% in 2010 and then jump 13.6% in 2011.

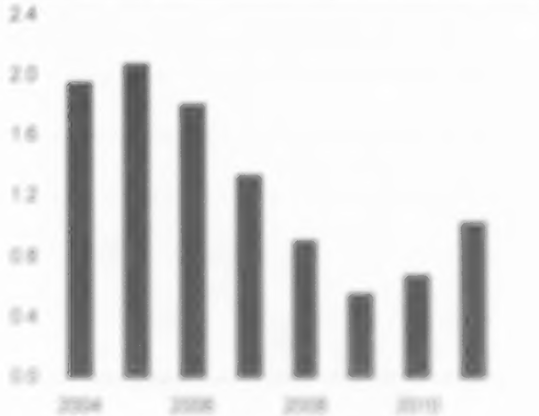
Business investments will be limited in 2010. Despite increased profitability, businesses are expected to remain cautious in their investment choices.

In fact, the capacity utilization rate fell markedly as a result of the recession, standing at just 72.7% in February 2010, compared with nearly 80% at year-end 2007. The rate of capacity utilization will have to increase more for businesses to start increasing their investments.

Accordingly, real business investments should level off in 2010 and then grow 9.1% in 2011.

CHART B.35

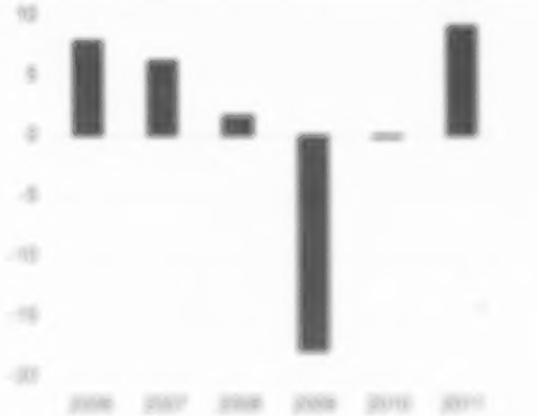
**Housing starts in the United States**
(millions of units)



Sources: IHS Global Insight and ministère des Finances du Québec.

CHART B.36

**Investments by American businesses**
(percentage change in real terms)



Sources: IHS Global Insight and ministère des Finances du Québec.

## ☐ Rebound in worldwide demand for products made in the United States

The global recession caused a considerable drop in foreign demand for US products. However, starting in the second half of 2009, stronger economic activity, particularly in emerging economies, and the drop in the US dollar contributed to robust growth in US exports. The latter rose 9.6% in real terms between the second quarter of 2009 and fourth quarter of 2009. This trend should continue over the coming years.

Furthermore, in his State of the Union Address, the President of the United States indicated he wanted to put forward economic policies to expand exports.

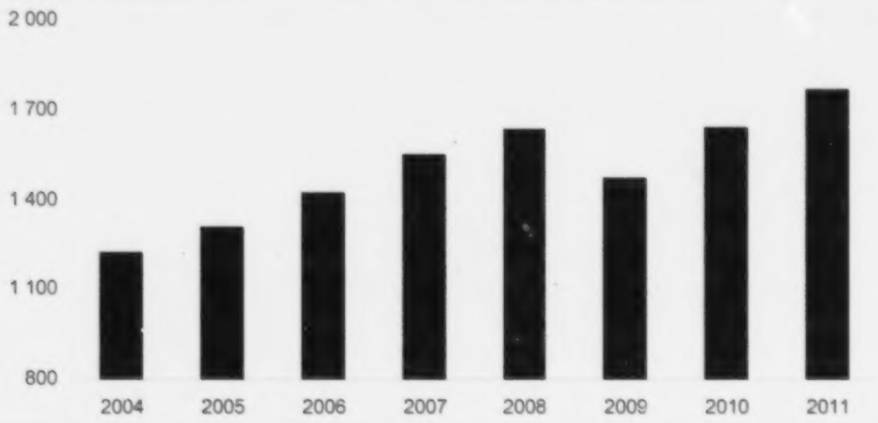
This goal, coupled with the stronger global economy and relatively weak US dollar relative to major currencies, should spur growth in exports.

Consequently, the US trade deficit should be relatively stable at 3.9% of GDP in 2010 and 2011, compared with 2.7% of GDP in 2009.

After falling 9.9% in 2009, real US exports are expected to rise 11.7% in 2010 and 7.7% to a level of US$1 767 billion.

CHART B.37

**US exports**
(billions of US dollars, in real terms)



Sources: IHS Global Insight and ministère des Finances du Québec.

### ☐ Accommodating budgetary and monetary policies

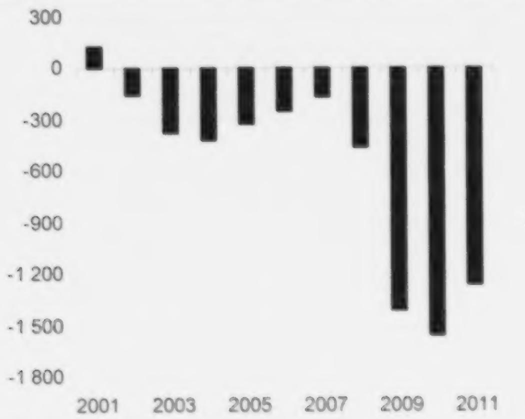
The Obama administration will maintain its accommodating budgetary policy in 2010 and 2011, when the deficit will exceed US$1 200 billion. Although the 2011 budget contains various measures to reduce the government's deficit, it also contains measures to support employment and improve access to credit for small and medium-sized businesses. These measures are in addition to the economic stimulus measures provided for in the previous budget for 2010.

Since the start of the financial crisis, the US Federal Reserve has introduced a number of exceptional programs to help stabilize the financial sector and revive the economy. As a result, the Federal Reserve's balance sheet expanded from US$786 billion in January 2008 to US$2 099 billion in January 2010.

To contain future inflationary pressure, the Federal Reserve will gradually withdraw its quantitative easing measures starting in 2010 and in the process shrink its balance sheet. The central bank should remain very cautious in withdrawing its measures to avoid hampering the fragile recovery of the real estate sector and the recovery in employment. It is expected to raise its benchmark interest rate as of the second half of 2010. The federal funds rate should therefore stand at 1.50% at year-end 2011.

CHART B.38

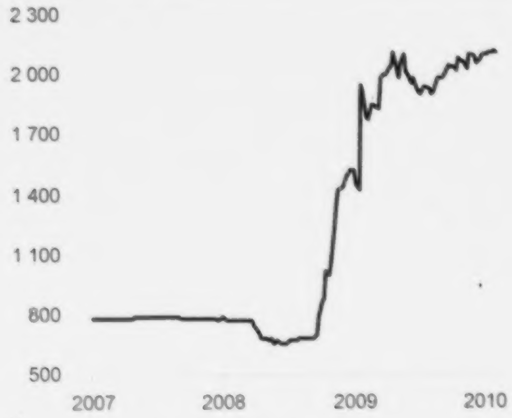
**Federal government's budgetary balance**
(billions of US dollars)



Source: Office of Management and Budget.

CHART B.39

**Federal Reserve's balance sheet[1]**
(billions of US dollars)



[1] Total amounts allocated to programs of the Federal Reserve.
Sources: IHS Global Insight.

## 3.3 The situation overseas

Like North American economies, advanced economies in Europe and Asia were severely hit by the global recession in late 2008 and the first half of 2009. However, economic activity in advanced economies overseas has been recovering, albeit modestly, since the second half of 2009.

As for emerging economies and developing economies, they also experienced a significant slowdown in growth in 2009. However, they appear to be recovering strongly, particularly China.

### ☐ Euro area

After five quarters of contraction, real GDP in the euro area started growing again in the third quarter of 2009, marking the end of the recession. Among factors contributing to the renewed growth are fiscal stimulus plans, stock adjustments and an acceleration in exports in mid-2009 fuelled by the pick-up in global demand.

However, the anticipated growth in 2010 should be weak due to the temporary impact of stimulus measures and the negative impact of the high debt levels of some euro area countries. The external sector will make a positive contribution to growth in 2010. On the other hand, household consumption will remain weak, being affected by an unemployment rate that will reach nearly 11% in early 2011.

Real GDP in the euro area is expected to rise 0.9% in 2010 and 1.5% the following year.

### ☐ United Kingdom

After falling 5.0% in 2009, the UK economy is on the road to gradual recovery after posting 0.3% growth in real GDP in the fourth quarter of 2009. The recovery is supported by an improvement in the financial sector and the real estate market, an expansionary monetary policy and stronger international growth.

Supported by the contribution of the external sector, which should benefit from a favourable exchange rate, and public spending, but constrained by a high unemployment rate and a significant household debt level, the UK economy should grow 0.9% in 2010 and 1.7% in 2011.

## ❑ Japan

After experiencing a major slowdown in 2008 and early 2009, the Japanese economy emerged from the recession in the second quarter of 2009 and started growing at a faster pace at year-end. The renewed growth is primarily attributable to the positive impact of economic stimulus plans and the rebound in exports.

However, Japan's economic recovery should be curtailed by modest growth in domestic demand. As well, sustained and lasting growth will be hampered by persistent deflation. Thus, real GDP is expected to grow 1.4% in 2010 and 1.1% in 2011, after contracting 5.2% in 2009.

## ❑ China

China's economic growth accelerated in 2009, after being slowed by a decline in exports during the global recession. The country's strong economic recovery is mainly attributable to robust domestic demand. Chinese investments got a boost from the major economic recovery plan implemented in late 2008 as well as from the swelling of domestic credit.

In order to slow growth in domestic demand, the Chinese authorities have taken steps to tighten monetary policy since the beginning of 2010 and may take additional steps as well. The measures are designed first and foremost to rein in liquidity so as to curtail credit, but also to prevent the economy from overheating. As the global economic recovery gathers steam, foreign trade should gradually become again the main driver of economic activity in China.

After growing 8.7% in 2009, the Chinese economy is expected to expand 9.4% in 2010 and then slow to 8.3% growth in 2011, when the economic stimulus measures end.

## 4. ECONOMIC PROJECTIONS FOR QUÉBEC FOR 2010-2025

Québec will face major demographic changes over the next 15 years. An aging and slower-growing population will go hand in hand with a shrinking potential labour pool, i.e. essentially the number of people between the ages of 15 and 64. These changes will have a significant impact on both the labour market and the economy.

— First, the shrinking potential labour pool will put downward pressure on employment.

— Second, population aging will reduce the overall percentage of the population with a job.

However, the impact of these demographic changes will be attenuated, even offset, by economic adjustments brought on by tightening of the labour market and an improvement in current trends.

— A higher level of schooling, greater participation of women in the labour market and more favourable conditions for older workers to continue working or go back to work will continue to spur employment.

— The pressure exerted by the labour market, along with more effective use of workers and technologies, will provide more support for labour productivity.

— The introduction or enhancement of public policies could also boost employment and productivity.

In addition, the more encouraging population trends of late, including the increase in the birth rate and international immigration, could improve population projections.

### ☐ The impact of anticipated demographic changes according to three scenarios

This section presents three scenarios to illustrate the challenges involved.

The scope of the demographic challenge expected in Québec can be measured by separately estimating the negative impact of future demographic changes on economic growth. The first scenario illustrates the change in real GDP in the context of a shrinking potential labour pool without accounting for other economic factors, such as labour market participation and productivity, which should adjust and at least partially offset the demographic situation.

This first scenario, which is not very likely, forecasts **no economic reaction**:

- the proportion of the population with a job would increase only slightly and productivity growth would continue its historical trend;
- real GDP growth would fall from a historical average rate of 2.1% from 1982 to 2008 to a rate of 0.8% from 2021 and 2025. The pace of growth would thus slow by 1.3 percentage points.

The second scenario, the **anticipated economic reaction**, illustrates the positive impact of an adjustment of economic factors to the smaller potential labour pool, the continuation of the present improvement in labour participation trends and the implementation or enhancement of public policies to support labour market participation and productivity. Under this scenario, the most probable:

- increases in labour market participation and faster growth in productivity are projected;
- however, real GDP growth would slow to 1.4% between 2021 and 2025, owing to the decline in the potential labour pool. The growth rate would thus fall by 0.7 percentage points compared with the historical trend.

The third scenario, which is more demanding, shows the **effort** Québec would have to make from now until 2025 **to keep economic growth at 2%**.

- Under this scenario, the potential labour pool would continue to expand. In addition, there would be greater increases in labour market participation and productivity growth.
- This scenario assumes that the implementation or enhancement of public policies would have a greater impact on birth rate, immigration, labour market participation and productivity.

TABLE B.9

### Economic growth in Québec according to three projected scenarios

(average annual percentage change)

| | Historical | Five-year | 2021-2025 time horizon | | |
|---|---|---|---|---|---|
| | 1982-2008 | 2010-2014 | No economic reaction | Anticipated reaction | Effort to keep growth at 2% |
| Real GDP | 2.1 | 2.3 | 0.8 | 1.4 | 2.0 |

Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

## ☐ Demographics: a source of economic slowdown

The impact that demographics is likely to have on real GDP growth can be better understood by breaking economic growth down into contributions from changes in the following factors:

— potential labour pool, i.e. the population 15-64 years old;

— employment rate, i.e. the proportion of people in the potential labour pool who are working;

— productivity, i.e. the economic value of what each worker produces.

Between 1982 and 2008, Québec's economy grew at an average rate of 2.1%. During the same period, changes in the population 15-64 years of age as well as employment and productivity had a similar effect on economic growth.

— More specifically, the potential labour pool and employment rate each contributed 0.6 percentage points to economic growth, while productivity added 0.8 percentage points.

TABLE B.10

### Contribution of factors to Québec's economic growth

(annual percentage change)

| | 1982-2008 |
|---|---|
| **Real GDP** | **2.1** |
| **Growth factors:** | |
| - Potential labour pool[1] | 0.6 |
| - Employment rate[2] | 0.6 |
| - Productivity[3] | 0.8 |

Note: Figures have been rounded off, so they may not add up to the total indicated.
[1] Population 15-64 years of age.
[2] Total number of workers as a proportion of the population 15-64 years of age.
[3] Real GDP per worker.
Source: Institut de la statistique du Québec and ministère des Finances du Québec.

The following sections present population trends and their anticipated impact on the labour market and economy over the next 15 years.

- The first section illustrates how demographics will be a cause of economic slowdown in the coming years.
- The second section discusses anticipated improvements in the labour market.
- The third section illustrates factors that might enable faster productivity growth.
- A final section describes the government actions implemented since 2003 to support the Québec economy.

## 4.1 Shrinking potential labour pool

In the coming years, demographics, instead of contributing to growth, will slow real GDP growth due to the shrinking pool of potential workers and population aging.

This section describes the anticipated population trends in Québec over the next 15 years and their impact on economic growth. The Institut de la statistique du Québec (ISQ) periodically publishes projections of population for Québec and its regions. An update was published in July 2009.

The ISQ's projections are based on different scenarios, including a reference scenario based in the most plausible assumptions considering recent trends.[5] Scenarios of low and high population growth based on other assumptions are also illustrated.

In the economic projections for Québec for the period 2010-2025:

— the ISQ's reference population scenario was used to establish economic projections for the first two scenarios presented in this section, i.e. **no economic reaction** and the **anticipated reaction**;

— the third projection scenario, i.e. the **effort required to keep growth at 2%**, was based on the ISQ's scenario of high population growth.

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[5] For additional information, see the document *Le contexte démographique du Québec : horizon 2025*, published in conjunction with the 2010-2011 pre-budgetary consultations in December 2009.

## ❑ ISQ reference population scenario

### ■ Decrease in size of the potential labour pool

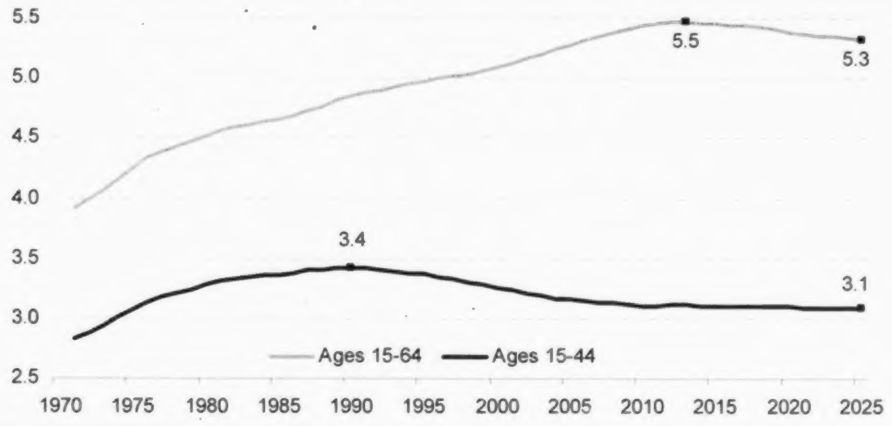
The population 15-64 years of age is a good measure of the size of the potential labour pool. In 2008, 98.2% of the 4.2 million Quebecers in the labour force aged 15 and over, were between the ages of 15 and 64.

Under the ISQ's reference population scenario, the working-age population would start to decline in 2014. Québec's potential labour pool would shrink by 2.7% between 2013 and 2025.

The 15-44 age cohort has already started to shrink. In fact, the number of people between the ages of 15 and 44 has dropped 9% since 1990. Québec is therefore already facing a decline in its pool of younger workers.

CHART B.40

**Québec's potential labour pool**
(millions of individuals)



Sources: Institut de la statistique du Québec and Statistics Canada.

## Faster aging of the working-age population

Québec's population will age faster over the next 15 years, with the first of the baby boomers, individuals born between 1946 and 1966, turning 65 in 2011.

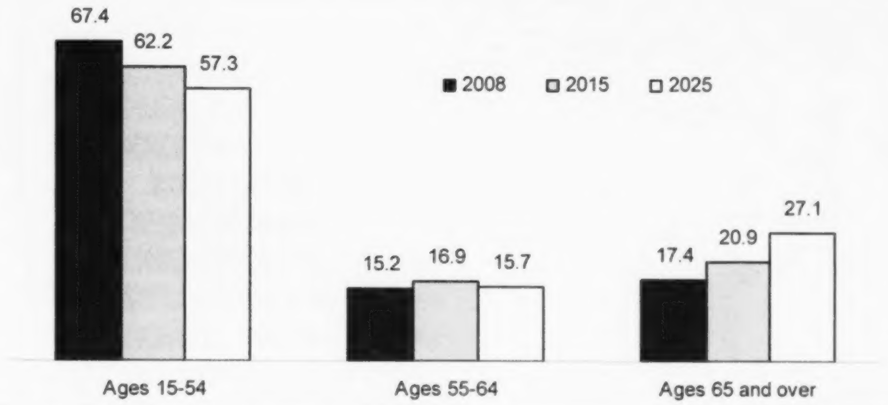
An indicator of population aging is the share of the 65 and over age group in the population aged 15 and over. In 2008, 1.1 million people in Québec, or 17.4% of the population aged 15 and over, were 65 and over. In 2025, given an aging and slow growing population, the 65 and over age group will account for 27.1% of the population aged 15 and over, which represents 842 000 more people. Over the same period, i.e. 2008-2025:

— the proportion of the 15-54 age group in the population aged 15 and over will drop from 67.4% to 57.3%, for a loss of 219 000 people;

— the proportion of the 55-64 age group should remain relatively stable, rising from 15.2% to 15.7%, which represents 150 000 more people entering this age group during the reference period.

CHART B.41

**Weight of cohorts in the Québec population**
(as a percentage of the population aged 15 and over)



Source: Institut de la statistique du Québec.

## An older and slower growing population than elsewhere

**Slower population growth than elsewhere**

The same slowdown in growth of the population 15-64 years of age that is expected in Québec will be experienced in other advanced economies as well. However, the extent of the slowdown in Québec is liable to be more like that in Japan.

Our main trading partners, i.e. Canada and the United States, should also see a slight slowdown in population growth. However, they should be able to avoid a shrinkage of their potential labour pool.

**A faster rate of population aging than elsewhere**

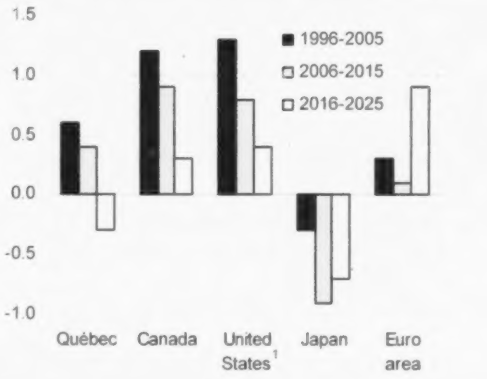
An aging population manifested itself later in Québec than in other advanced economies in Europe. However, since the renewal of Québec's population has slowed considerably, population aging will be faster in Québec. If the current trend continues, the share of the 65 and over age group in the population will double from 12% to 24%:

- in 32 years in Québec;
- in 48 years in Canada;
- in 60 years in Germany;
- in over 63 years in the United States;
- in over 85 years in the United Kingdom.

Among advanced economies, only Japan's population will age at a faster rate than Québec's, with the 65 and over age group's share of the population doubling from 12% to 24% in 22 years.

**Growth of population 15-64 years of age of some of Québec's trading partners**

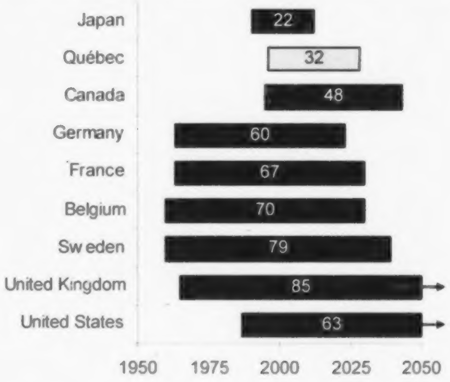
(average annual percentage change)



[1] Population 16-64 years of age.
Sources: Institut de la statistique du Québec, Statistics Canada, IHS Global Insight and United Nations.

**Number of years needed for the share of the 65 and over age group in the population to double from 12% to 24%**

(years)



Sources: Institut de la statistique du Québec and United Nations.

### ☐ ISQ high population scenario

Under the ISQ's high population scenario, which is based on the most optimistic assumptions on mortality, fertility and migration, the working-age population would continue to grow until 2017 and then level off over the following eight years instead of falling.

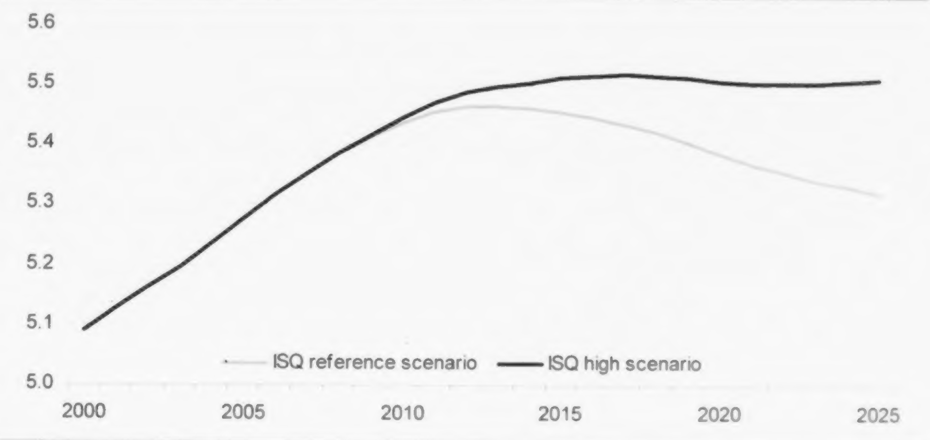
Overall, the population 15-64 years of age would grow at an average rate of 0.1% over the next 15 years. Under this scenario, 5.5 million people in Québec would be between the ages of 15 and 64 in 2025.

The proportion of people aged 65 and over in the population aged 15 and over would change little. Despite improvements in the fertility rate, that proportion would only rise less severely.

— Consequently, the 65 and over age group would go from accounting for 17.4% in 2008 of the population aged 15 and over to 26.8% in 2025, compared with 27.1% under the reference scenario.

CHART B.42

**Québec population 15-64 years of age**
(millions of individuals)



Source: Institut de la statistique du Québec.

### Population projections of the Institut de la statistique du Québec

The ISQ prepares population projections for Québec. An update was published in July 2009. The ISQ's projections, which are based on various assumptions on mortality, fertility and migration, cover the period 2006-2056 and are presented according to different scenarios, although the emphasis is placed on a reference scenario based on the most plausible assumptions.

**2009 reference scenario**

Under the reference scenario, the trends for the main population variables in Québec between now and 2056 are as follow:

- the population would grow by 1.0 million people between 2006 and 2025 and by 0.6 million between 2025 and 2056. Natural growth[1] would remain positive up until 2029, after which international migration alone would account for all population growth;
- the median age should increase from 40.5 years in 2006 to 44.0 years in 2025 and 46.4 years in 2056;
- the weight of the population aged 65 and over with respect to the total population would rise from 14% in 2006 to 22.8% in 2025 and 28% in 2056.

**2009 high population scenario**

Under the high population scenario, the relative trends between now and 2056 are as follows:

- Québec's population would grow by 1.5 million people between 2006 and 2025 and 1.9 million between 2025 and 2056. Natural population growth would remain positive over the entire forecast period;
- the median age should increase from 40.5 years in 2006 to 43.1 years in 2025 and 44.3 years in 2056;
- the demographic weight of the population aged 65 and over would rise from 14.0% in 2006 to 22.2% in 2025 and 26.9% in 2056.

**Assumptions used for the reference scenario**

| Variable | Unit | Scenarios<br>Reference | <br>High |
|---|---|---|---|
| Mortality (life expectancy – men/women) | Years | 85.5/89.0 | 88.0/90.5 |
| Fertility (total fertility rate) | Children per woman of child-bearing age | 1.65 | 1.85 |
| Net international migration | Number | 40 000 | 50 000 |
| Net interprovincial migration | Number | – 10 000 | – 4 000 |

Source: Institut de la statistique du Québec, Perspectives démographiques du Québec et des régions, 2006-2056, 2009 edition.

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[1] Natural growth is the difference between the number of births and the number of deaths.

### ☐ *Impact of demographic changes on economic projections*

The ISQ's population reference scenario was used to establish the first two economic forecast scenarios, namely, **no economic reaction** and the **anticipated reaction**. Under the ISQ's population reference scenario, the working-age population would start to shrink in 2014.

- The population aged 15 to 64 would shave the average economic growth rate by 0.2 percentage points between 2021 and 2025, whereas it contributed an average of 0.6 points to economic growth between 1982 and 2008, a spread of 0.8 points.
- Thus, if there were no additional contribution from employment or productivity, real GDP growth could fall 0.8 percentage points annually between 2021 and 2025 compared with the historical average.

The ISQ's high population scenario was used to establish the economic forecast representing the **effort needed to keep growth at 2%**.

- Under this scenario, the population aged 15 to 64 would increase 0.1 percentage points, on average, between 2021 and 2025, compared with a historical increase of 0.6%.
- The potential labour pool's average contribution to economic growth would thus slip just 0.5 points between 2021 and 2025.

TABLE B.11

**Contribution of the potential labour pool to economic growth**
(population 15-64 years of age, average annual percentage change)

| | Historical | Five-year | 2021-2025 time horizon | | |
|---|---|---|---|---|---|
| | 1982-2008 | 2010-2014 | No economic reaction | Anticipated reaction | Effort to keep growth at 2% |
| Contribution to economic growth | 0.6 | 0.2 | – 0.2 | – 0.2 | 0.1 |

Sources: Institut de la statistique du Québec and ministère des Finances du Québec.

The adjustments in employment and productivity determinants should help cushion the impact of demographic changes on the Québec economy.

- First, the number of working people as a percentage of the potential labour pool should continue to increase.
- Second, pressure from the labour market and the steps taken by the government to support private and public investment should help boost worker productivity.

## 4.2 Increases in labour market participation

Improvements in the labour market should lead to an increase in the employment rate by age group in the coming years. The female participation rate should continue to increase and help raise the employment rate. Also, the higher level of education among people currently aged between 25 and 54 years will continue to help them enter the labour market sooner or leave it later. In particular:

— in 1990, 13.3% of Quebecers between the ages of 25 and 54 had a university degree (undergraduate degree or higher);

— in 2008, 23.6% of this age group had a university degree, an increase of 10.3 percentage points.

In addition, the labour shortage, coupled with more favourable conditions for retirees to go back to work, will put upward pressure on the employment rate of people aged 55 to 64. The conditions for returning to the workforce will be all the more favourable given that this age group will be more educated and in better health than their predecessors. They will also live longer and so will care more about their retirement income and will be more interested in working longer or going back to work.

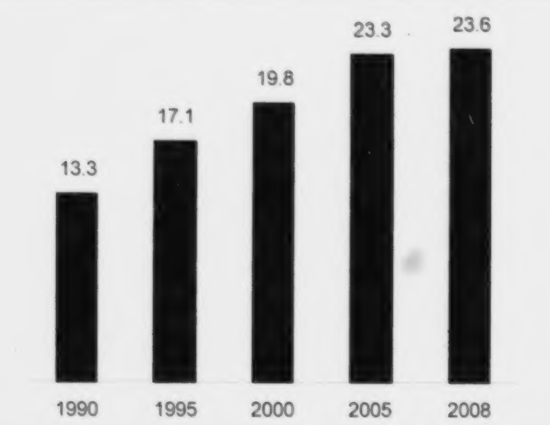
— In 1980-1982, the life expectancy of Quebecers was 75 years.

— In 2006-2008, it was 81 years, an increase of 6 years.

— In 2025, it will be 84 years, according to the ISQ's reference scenario.

CHART B.43

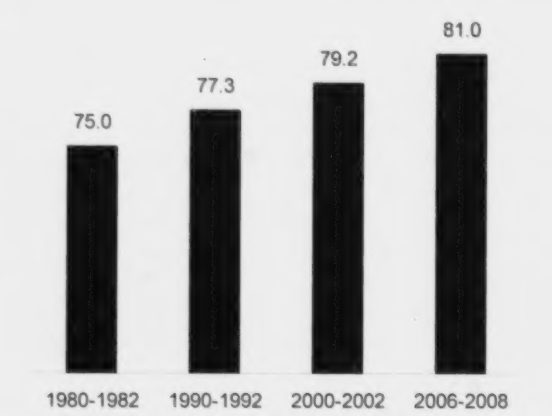
**Percentage of Quebecers aged 25 to 54 with a university degree**
(undergraduate degree or higher, in per cent)



Source: Statistics Canada.

CHART B.44

**Life expectancy of Quebecers**
(age, both sexes combined)



Source: Institut de la statistique du Québec.

## Change in female participation rate in Québec

The female participation rate has been going up in Québec for several years. The same trend is occurring in several industrialized countries and the contributing factors include a higher level of education, a lower fertility rate, wealth gains and the implementation of public policies.

In the case of Québec, participation of women in the labour market has risen for each age group up to women born in the mid-1960s. In particular, the participation rate of women born after the mid-1960s is twice as high as the participation rate of women born in 1925.

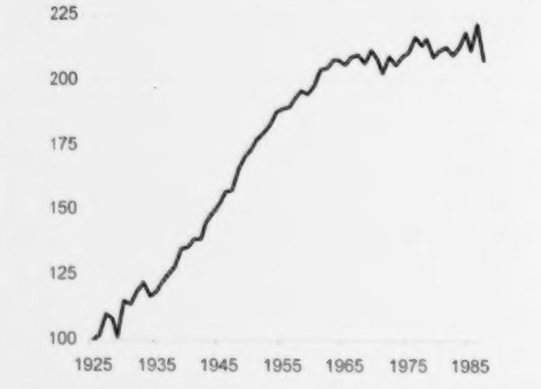
- For example, for women 43 years of age, the participation rate of women born in 1933 was 42%, whereas that of women born in 1960 was 84%.
- Thus, over the last 30 years, older cohorts of women have gradually been replaced by cohorts with higher participation rates.

This displacement effect will continue and could influence the female participation rate up until around 2030. Nevertheless, with the participation rate of older cohorts remaining below that of the younger cohorts, the first group becoming larger will curtail the increase in the overall participation rate. Thus, the participation rate of women aged 15 and over would drop from 61.1% in 2008 to 58.9% in 2025.

- If not for this cohort effect,[1] the participation rate would have dropped even more, from 61.1% in 2008 to 57.0% in 2025.
- In addition to the female cohort effect, other changes such as the labour shortage, could support growth in the female participation rate.

**Female participation rate in Québec by year of birth**

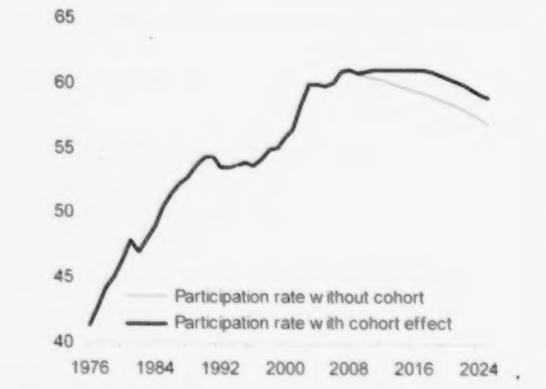
(fixed cohort effect, 1925 = 100)



Source: Statistics Canada.

**Participation rate of women aged 15 and over with and without the cohort effect**

(percentage rate)



Sources: Institut de la statistique du Québec, Statistics Canada and ministère des Finances du Québec.

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[1] A cohort is defined as a group of persons born in the same year. The cohort effect corresponds to the specific behaviour of a group of persons of a given age that differs from the behaviour of another group. In this box, the cohort effect measures the change in labour market participation.

## ❑ Contribution of the labour market to economic growth

The labour market should continue contributing to economic growth in the coming years, to varying degrees according to the projection scenario in question.

### ■ No economic reaction projection scenario

Under this scenario, the anticipated improvement in labour market participation trends would end in 2013. Still, the employment rate of people aged 15 to 64 would be stable at 71.7% in 2008 and 71.8% in 2025.

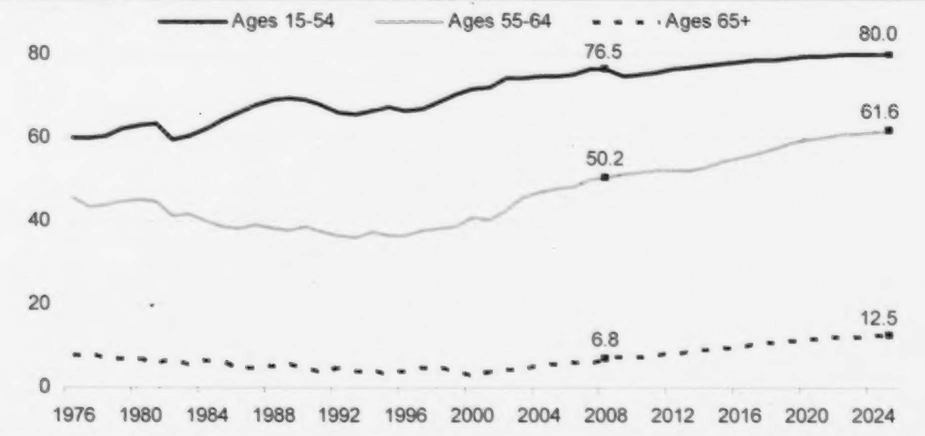
### ■ Anticipated reaction projection scenario

Under this scenario, the recent labour market trends would continue, fuelled by a higher education level, greater participation of women in the labour market, public policies and more favourable conditions for retaining older workers or getting them to return to the workforce. Between 2008 and 2025, under this scenario:

- The employment rate of people aged 15 to 54 would rise from 76.5% to 80.0%, which means 140 000 more workers.
- The employment rate of people aged 55 to 64 would increase from 50.2% to 61.6%, which means 145 000 more workers.
- The employment rate of people aged 65 and over would climb from 6.8% to 12.5%, which means 110 000 more workers.

CHART B.45

**Employment rate of Quebecers by age group**
(percentage rate)



Sources: Institut de la statistique du Québec, Statistics Canada and ministère des Finances du Québec.

Overall, with the employment rate of older cohorts remaining below that of younger cohorts, the growth of the first group will temper the increase in the total number of workers per population of people between 15 and 64 years of age.

— This proportion would increase from 71.7% in 2008 to 76.0% in 2025, adding 395 000 workers to the labour force.

Furthermore, the anticipated decrease in the population of certain age groups will put downward pressure on job creation. In particular, changes in employment associated with fluctuations in the population aged 15 to 54 will result in 140 000 job losses, whereas the employment rate of people aged 55 and over will continue to climb.

Thus, the total number of workers in Québec should rise from 3.88 million in 2008 to 4.24 million in 2025, for an increase of 360 000 workers.

TABLE B.12

**Labour market projections in Québec – 2008-2025**
(thousands of individuals)

| | Population | | | Jobs | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | Change | 2025 | 2008 | Change | | | 2025 |
| | | | | | Population effect | Employment rate effect | Total | |
| 15 to 64 years | 5 388 | – 69 | 5 319 | 3 810 | – 85 | 285 | 200 | 4 010 |
| - 15 to 54 years | 4 394 | – 219 | 4 175 | 3 310 | – 140 | 140 | 0 | 3 310 |
| - 55 to 64 years | 994 | 150 | 1 144 | 500 | 55 | 145 | 200 | 700 |
| 65 years and over | 1 132 | 842 | 1 974 | 70 | 50 | 110 | 160 | 230 |
| 15 years and over | 6 520 | 773 | 7 293 | 3 880 | – 35 | 395 | 360 | 4 240 |

Sources: Institut de la statistique du Québec, Statistics Canada and ministère des Finances du Québec.

The continuing demand for labour, the new jobs created should reduce the number of unemployed people over the next few years, leading to a rapid decline in the unemployment rate starting in 2015. The rate will fall from 8.5% in 2010 to 7.5% in 2015 and 4.9% in 2025.

- **Projection representing the effort needed to keep growth at 2%**

Under this scenario, in addition to assuming continued growth in the potential labour pool, the forecast improvement in labour market participation could prove to be better than anticipated under the previous scenario, in particular thanks to the introduction of new and more audacious public policies.

More specifically, Québec could close the gap with the employment rates in other jurisdictions, notably Alberta, the province with the highest rates in Canada in 2008.

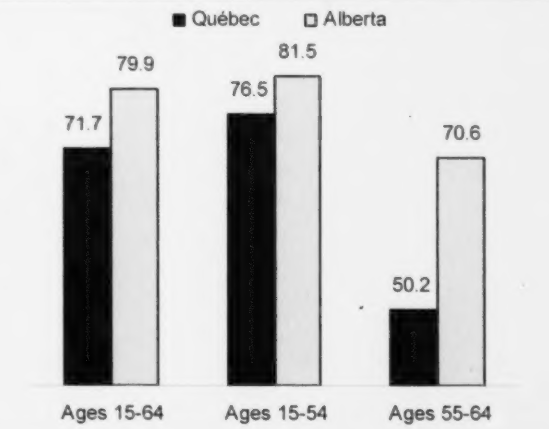
- The employment rate for people aged 15 to 64 was 71.7% in Québec and 79.9% in Alberta.
- The rate for people aged 15 to 54 was 76.5% in Québec and 81.5% in Alberta.
- The rate for people aged 55 to 64 was 50.2% in Québec and 70.6% in Alberta.

Assuming that Québec makes up 75% of its lag in the employment rate by five-year age group between now and 2025, 76.9% of Quebecers between the ages of 15 and 64 would be working in 2025, compared with 76.0% under the **anticipated reaction** forecast scenario.

- That would imply a significant improvement for the 55-64 age group, with its employment rate rising to 63.7%, compared with 61.6% under the **anticipated reaction** forecast scenario.

CHART B.46

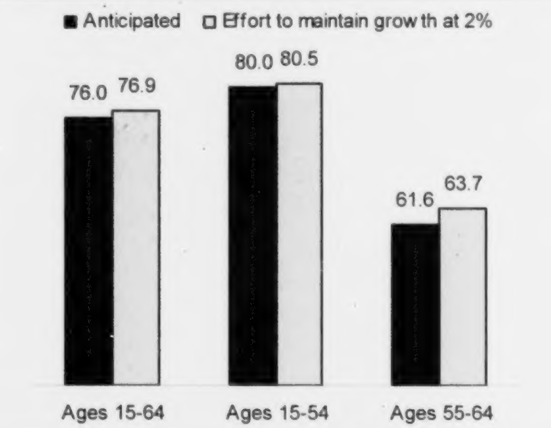
**Employment rate in 2008**
(percentage rate)



Source: Statistics Canada.

CHART B.47

**Employment rate in 2025 – Québec**
(percentage rate)



Source: Ministère des Finances du Québec.

### ☐ Contribution of the employment rate to economic growth

The labour market should continue contributing to economic growth in the coming years, to a more or less significant degree depending on the given scenario. Thus, after adding an average of 0.6 percentage points to growth between 1982 and 2008, the average contribution of the employment rate between 2021 and 2025 is expected to be:

- 0.2 percentage points under the **no economic reaction** projection scenario;
- 0.5 points under the **anticipated reaction** projection scenario;
- 0.7 points under the projection scenario representing the **effort needed to keep growth at 2%**.

TABLE B.13

**Contribution of the employment rate to economic growth**
(total number of workers per population of people aged 15 to 64, average annual percentage change)

| | Historical | Five-year | 2021-2025 time horizon | | |
|---|---|---|---|---|---|
| | 1982-2008 | 2010-2014 | Stable economic situation | Anticipated situation | Effort to keep growth at 2% |
| Contribution to economic growth | 0.6 | 0.7 | 0.2 | 0.5 | 0.7 |

Sources: Institut de la statistique du Québec, Statistics Canada and ministère des Finances du Québec.

## 4.3 Acceleration in productivity

### ❑ Change in productivity in Québec

Over the last 28 years, labour productivity grew on average 0.8% in Québec. However, the growth rate varied considerably during that time. Between 1982 and 1990, productivity grew at an average rate of 0.6%. Between 1991 and 2000, a period marked by a surge in new technologies and robust US demand, it grew 1.5%. Between 2001 and 2008, productivity rose by only 0.2% annually on average.

The same low growth in productivity observed in Québec recently was also observed in Ontario (+ 0.2%) and Canada (+ 0.4%). There are several reasons for this:

— the rise in the Canadian dollar battered the manufacturing sector. The sector underwent restructuring, which generated major adjustment costs for manufacturing businesses;

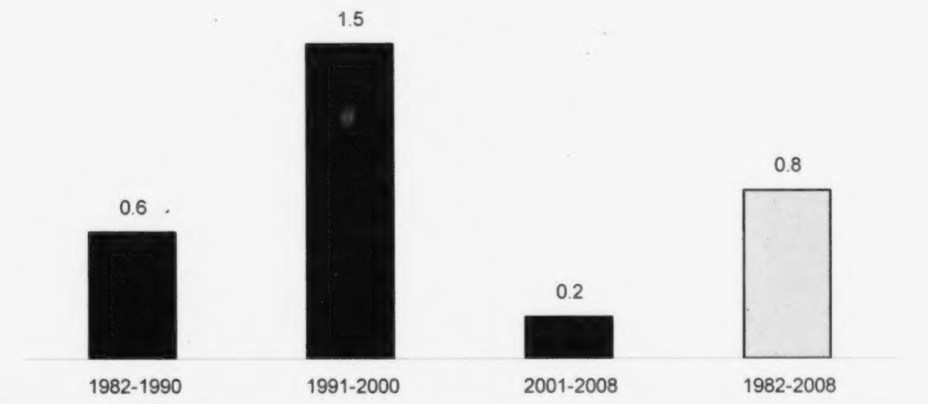
— the transfer of resources from manufacturing to services generated adjustments costs;

— the bursting of the technology bubble reduced the size of the telecom equipment sector in Québec, a high value added sector;

— higher growth in the service sector, where productivity lags behind that of the goods sector.

CHART B.48

**Labour productivity growth in Québec**
(real GDP per worker, annual percentage change)



Source: Statistics Canada.

The pace of growth in labour productivity (output per worker) is expected to pick up in the coming years, reaching an average rate of 1.4% from 2010 to 2014. This strong growth will be largely linked to the revival in economic activity following the 2009 recession. It should reach 1.1% from 2015 to 2025.

This anticipated acceleration in productivity within the next 15 years will be supported by several factors, in particular:

- in recent years, the government has taken a number of steps to support private investment. In particular, it undertook to eliminate the tax on capital for all companies by January 1, 2011, and introduced an investment tax credit;
- through the Québec Infrastructure Plan, the government is improving transportation infrastructure, which facilitates trade, municipal infrastructure, which is a factor in site location for companies, and education infrastructure, which contributes to worker training, research and innovation;
- in addition, faced with a shrinking potential labour pool and the attendant possibility of pressure on wages, Québec businesses will use workers and technology more effectively as well as make more use of machinery and equipment;
- moreover, in a context of a tightening labour market, the downward trend in the number of hours worked in Québec could slow, and even reverse itself, another factor that could lead to an increase in output per worker. This could be the case, for example, if part-time work or involuntary unemployment were to fall.

## Change in hours worked in Québec

### 30-year changes

Over the last 32 years, the number of hours worked per week by Quebecers has decreased by three hours, or 10%. Quebecers worked 34.6 hours per week in 1976 and 31.6 hours per week in 2008.

- In 1976, they worked as many hours as people in Ontario, but less than Canadians and Americans.
- In 2008, Quebecers worked approximately two hours less than people in Ontario and Canada and nearly three hours less than Americans.

### Recent changes

The gap in hours worked per job has recently widened between the rest of Canada and Québec. This situation is primarily attributable to two things:

- greater job creation in the service sector. Given that people in the service sector work fewer hours per job than average, faster growth in hours worked in this sector enabled a relative degree of narrowing in hours worked per job between Québec and the rest of Canada;
- faster growth in the share of the population aged 55 years and over in the labour force and employment. The proportion of the population aged 55 and over increased at a faster pace in Québec than in the rest of Canada. People aged 55 and over work fewer hours than average. Given the higher increase in the proportion of people aged 55 and over in the labour force, the number of hours worked per job decreased in Québec compared with the rest of Canada.

**Average work week**
(hours)

| | Québec | Ontario | Canada | United States |
|---|---|---|---|---|
| 1976 | 34.6 | 34.8 | 35.2 | 35.9 |
| 1986 | 32.9 | 35.1 | 34.7 | 35.3 |
| 1996 | 33.0 | 35.0 | 34.7 | 35.9 |
| 2006 | 31.9 | 34.4 | 34.0 | 34.7 |
| 2008 | 31.6 | 33.9 | 33.7 | 34.1 |

Sources: Statistics Canada and Bureau of Labour Statistics.

### ☐ Contribution of productivity to economic growth

Overall, labour productivity should continue making a positive contribution to economic growth in the coming years. However, the size of its contribution will depend on the projection scenario in question.

Under the scenario of **no economic reaction,** no improvement in the current productivity trends is projected. Annual growth in output per worker would remain at 0.8% until 2025, the average rate seen between 1982 and 2008.

The **anticipated reaction** scenario assumes some improvement in the trend due to the positive effects of the steps taken by government to support productivity, better use of workers, technologies and capital, and a levelling off of hours worked.

— Thus, whereas output per worker rose 0.8% annually between 1982 and 2008, it should increase 1.1% between 2021 and 2025.

The scenario **representing the effort to keep growth at 2%** assumes improvement in productivity that could turn out to be more favourable than under the previous scenario. Annual productivity growth at 1.2% is projected for the period 2021 to 2025.

TABLE B.14

**Contribution of labour productivity to economic growth**
(average annual percentage change in real GDP per worker)

| | Historical | Five-year | 2021-2025 time horizon | | |
|---|---|---|---|---|---|
| | 1982-2008 | 2010-2014 | No economic reaction | Anticipated situation | Effort to keep growth at 2% |
| Contribution to economic growth | 0.8 | 1.4 | 0.8 | 1.1 | 1.2 |

Sources: Institut de la statistique du Québec, Statistics Canada and ministère des Finances du Québec.

## 4.4 Gradual slowdown in economic growth

Overall, with no new major public policies to support population growth, employment and productivity, the Québec economy will expand at a markedly slower pace in the coming years due to the anticipated decrease in the size of the potential labour pool.

Under the first projection scenario presented in this section, namely, **no economic reaction**, economic growth would fall to 0.8% on average between 2021 and 2025. However, this situation is not very likely, as it does not account for economic reactions to the shrinking potential labour pool, nor for the economic trends of the last few years, which should continue to improve and contribute to stronger growth.

Under the second forecast scenario, namely, the **anticipated reaction**, economic growth would slow to 1.4% on average between 2021 and 2025. This situation, the most likely to occur, accounts for the economic reaction to demographic changes, the positive effects of the continuation of the present improvement in labour market trends and the implementation or enhancement of public policies to support labour market participation and productivity.

Under the third scenario, which is more exacting, real GDP **growth** could be **sustained at 2%** on average between 2021 and 2025 thanks to the increased impact on birth rate, immigration, labour market participation and productivity coming from new public policies.

TABLE B.15

### Contribution of factors to Québec's economic growth

(annual variation in percentage)

| | Historical | Five-year | 2021-2025 time horizon | | |
|---|---|---|---|---|---|
| | 1982-2008 | 2010-2014 | No economic reaction | Anticipated situation | Effort to keep growth at 2% |
| **Real GDP** | 2.1 | 2.3 | 0.8 | 1.4 | 2.0 |
| **Growth factors:** | | | | | |
| – Potential labour pool[1] | 0.6 | 0.2 | – 0.2 | – 0.2 | 0.1 |
| – Employment rate[2] | 0.6 | 0.7 | 0.2 | 0.5 | 0.7 |
| – Productivity[3] | 0.8 | 1.4 | 0.8 | 1.1 | 1.2 |

Note: Figures have been rounded off, so they may not add up to the total indicated.

[1] Population 15-64 years of age.

[2] Total number of workers out of the population 15-64 years of age.

[3] Real GDP per worker.

Sources: Institut de la statistique du Québec, Statistics Canada and ministère des Finances du Québec.

## 4.5 Government actions to support the economy

Over the next 15 years, Québec will experience major demographic changes. The government has already taken several actions to cushion the anticipated impact of these changes on Québec's economy and public finances.

### ☐ Actions addressing birth rate and immigration

The Québec government has already implemented measures to boost birth rate and immigration, in particular through:

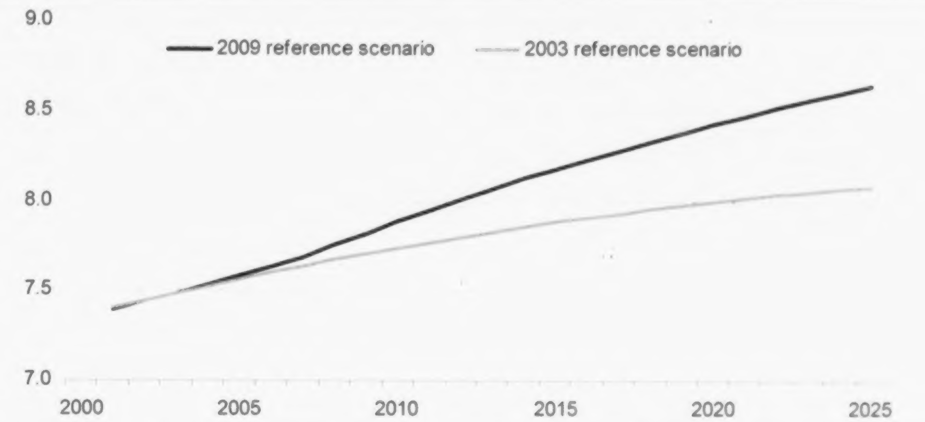
- the new Québec Parental Insurance Plan;
- various support measures for families, including an increase in the number of reduced-contribution daycare spaces and the child assistance payment;
- an increase in the number of international immigrants accepted into Québec.

In fact, the most encouraging trends in recent years, including an increase in the birth rate and international immigration, prompted the ISQ to develop a population scenario that allows us to be more optimistic than when the last population projections were made in 2003.

- In 2003, the ISQ estimated that the population of Québec would reach 8.1 million people in 2025.
- In 2009, the ISQ revised this number upward to 8.6 million people.

CHART B.49

**Change in the ISQ's population projections**
(total population, millions of people)



Source: Institut de la statistique du Québec.

## Actions addressing the labour market

The Québec government also took steps to encourage labour market participation.

It acted to meet the labour needs of businesses and to support workers affected by the difficult economic situation.

- In the 2008-2009 Budget, the government introduced the Employment Pact, the goals of which are to develop human potential in every region, value work and improve workforce training.
- In its 2009-2010 Budget, the government announced the Employment Pact Plus, which contains 16 measures to mitigate the effects of the economic slowdown on workers and businesses.

To keep immigrants and help them enter the Québec job market, the government announced measures to:

- increase efforts to recognize the training and diplomas of foreign-trained workers;
- improve new immigrants' knowledge of and proficiency in French.

Also, to attenuate the impact of population aging on labour market participation, the government changed the rules to enable more gradual phased retirement.

## Actions addressing productivity

To support the economy and investment and increase the productivity of Québec businesses, the government has targeted its actions since 2003 with a view to reducing the tax burden of businesses.

- The tax on capital was eliminated for manufacturing firms in 2008 and will be eliminated for all sectors at the end of 2010.
- Tax incentives to develop e-business and investment have been introduced.

## In conclusion

The actions taken by the government to deal with the major demographic changes on the horizon have borne fruit. The results are encouraging, but they must not become a stumbling block on the road ahead. In particular, Québec must continue its efforts to foster birth rate, immigration, labour market participation and productivity.

# Section C

## The Government's Financial Framework

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# INTRODUCTION

This section of the Budget Plan presents the preliminary results for fiscal 2009-2010 and the government's budgetary and financial stance for 2010-2011 and 2011-2012.

The information provided concerns:

- consolidated financial and budgetary transactions for the period from 2009-2010 to 2011-2012, including the impact of the measures announced in the present budget;
- the change in revenue and expenditure, as well as adjustments made since last year's budget;
- the government's main expenditure items, capital expenditures, net financial requirements and non-budgetary transactions.

Section A also contains five-year financial forecasts, up to 2014-2015.

## 1. TAKING ADVANTAGE OF THE RECOVERY TO BEGIN RESTORING FISCAL BALANCE

Québec has been hit less hard than its main partners by the economic downturn. The $15-billion economic action plan over two years has played a major role in this regard, both economically and financially.

Despite a significant decrease in its revenues, the government has launched a vigorous action plan to support jobs and maintain the funding of public services, even at the price of budgetary deficits. The budgetary balance within the meaning of the *Balanced Budget Act* will be in deficit by $4.3 billion[1] for the current year and $4.5 billion in 2010-2011. The measures arising from the plan to restore fiscal balance will help to bring the shortfall down to $2.9 billion in 2011-2012.

— The government intends to take advantage of the economic recovery to start restoring fiscal balance.

TABLE C.1

**Summary of adjusted budgetary transactions – Budget 2010-2011P**
(millions of dollars)

| | 2009-2010 | 2010-2011 | 2011-2012 |
|---|---|---|---|
| **BUDGETARY TRANSACTIONS** | | | |
| **Budgetary revenue** | **62 650** | **64 489** | **65 936** |
| *% change* | *– 0.4* | *2.9* | *2.2* |
| Program spending | – 60 769 | – 62 561 | – 63 907 |
| *% change* | *3.8* | *2.9* | *2.2* |
| Debt service | – 6 154 | – 6 990 | – 7 841 |
| **Total budgetary expenditure** | **– 66 923** | **– 69 551** | **– 71 748** |
| *% change* | *2.9* | *3.9* | *3.2* |
| **Net results of consolidated entities** | 598 | 697 | 848 |
| Contingency reserve | – 300 | – 300 | — |
| Impact of the plan to restore fiscal balance | | 1 051 | 3 036 |
| **DEFICIT** | **– 3 975** | **– 3 614** | **– 1 928** |
| ***BALANCED BUDGET ACT*** | | | |
| Deposit of dedicated revenues in the Generations Fund | – 715 | – 892 | – 972 |
| Stabilization reserve | 433 | — | — |
| **BUDGETARY BALANCE WITHIN THE MEANING OF THE *BALANCED BUDGET ACT*** | **– 4 257** | **– 4 506** | **– 2 900** |
| *As a % of GDP* | *– 1.4* | *– 1.4* | *– 0.9* |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

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[1] Had it not been for the stabilization reserve, the budgetary balance would have reached – $4.7 billion in 2009-2010.

As of 2010-2011, the government plans, on the one hand, to continue its rigorous management of program spending by limiting growth in such spending to 2.9% and, on the other hand, to implement other measures totalling $1.1 billion. In 2011-2012, growth in program spending will stand at 2.2% and the total for other measures will be $3.0 billion.

In addition, the government is incorporating a contingency reserve of $300 million into its financial framework for 2009-2010[2] and 2010-2011 respectively to provide for any shortfalls.

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[2] A reserve of the same amount had been provided for 2009-2010 in the October 2009 *Update on Québec's Economic and Financial Situation*.

## Adjustments to the budgetary balance in 2009-2010

The budgetary balance within the meaning of the *Balanced Budget Act* for 2009-2010 is in deficit by $4.3 billion, an upward adjustment of $311 million compared with the March 2009 Budget. The increase in spending is largely offset by the upward revisions in revenue. In addition, a $300-million contingency reserve, included in the financial framework last fall, is being maintained to deal with any additional shortfalls that could result from the change in revenue and expenditure late in the year.

TABLE C.2

**Summary of budgetary transactions in 2009-2010$^P$**
(millions of dollars)

| | 2009-2010 Budget | Adjustments | 2010-2011 Budget |
|---|---|---|---|
| **BUDGETARY TRANSACTIONS** | | | |
| Own-source revenue | 42 612 | 207 | 42 819 |
| Government enterprises | 4 759 | – 157 | 4 602 |
| Federal transfers | 14 841 | 388 | 15 229 |
| **Total budgetary revenue** | **62 212** | **438** | **62 650** |
| Program spending | – 59 989 | – 780 | – 60 769 |
| Debt service | – 6 104 | – 50 | – 6 154 |
| **Total budgetary expenditure** | **– 66 093** | **– 830** | **– 66 923** |
| **Net results of consolidated entities** | 355 | **243** | **598** |
| Contingency reserve | — | – 300 | – 300 |
| **DEFICIT** | **– 3 526** | **– 449** | **– 3 975** |
| ***BALANCED BUDGET ACT*** | | | |
| Deposit of dedicated revenues in the Generations Fund | – 715 | — | – 715 |
| Stabilization reserve | 295 | 138 | 433 |
| **BUDGETARY BALANCE WITHIN THE MEANING OF THE *BALANCED BUDGET ACT*** | **– 3 946** | **– 311** | **– 4 257** |
| *As a % of GDP* | *– 1.3* | *– 0.1* | *– 1.4* |

P: Preliminary results.

Since the March 2009 Budget, a number of factors have enabled the government to offset the shortfall stemming from growth in spending. These factors are:

- a $388-million increase in federal transfers;
- a $207-million rise in own-source revenue excluding government enterprise.

These positive contributions have made it possible to reduce the impact of:

- the $780-million upward adjustment of the program spending objective, including:
  - $380 million for the increase in the government's contribution to La Financière agricole du Québec. This expenditure offset the anticipated deficit of La Financière agricole du Québec accounted for in consolidated entities. This also explains in part the upward revision of $243 million in respect of consolidated entities;
  - $150 million for enhancing the Renfort program to assist Québec companies facing liquidity problems;
  - $126 million attributable to spending in respect of the A (H1N1) flu pandemic;
- a decline of $157 million in revenue from government enterprises, including losses of $226 million at the Société générale de financement du Québec;
- a $50-million rise in debt service.

Once the $300-million contingency reserve and the $433-million balance of the stabilization reserve are taken into account, the budgetary balance is in deficit by $4.3 billion.

## ☐ Budgetary balance in 2010-2011 and 2011-2012

The budgetary balance for 2010-2011 is in deficit by $4.5 billion, up $746 million compared with the March 2009 Budget. This budgetary deficit is less than that of $4.7 billion presented last October.

For 2011-2012, the budgetary balance is in deficit by $2.9 billion, an upward adjustment of $261 million.

TABLE C.3

**Total adjustments since the 2009-2010 Budget[F]**
(millions of dollars)

| | 2010-2011 | 2011-2012 |
|---|---|---|
| **BALANCE IN THE 2009-2010 BUDGET** | **– 3 760** | **– 2 639** |
| **Budgetary revenue** | | |
| Own-source revenue excluding government enterprises | 385 | 73 |
| Government enterprises | – 348 | – 305 |
| Federal transfers | 435 | – 21 |
| | **472** | **– 253** |
| **Budgetary expenditure** | | |
| Program spending | – 682 | – 78 |
| Debt service | – 344 | – 178 |
| | **– 1 026** | **– 256** |
| Consolidated entities[1] | 122 | 145 |
| Contingency reserve | – 300 | |
| Impact of the plan to restore fiscal balance | – 14 | 103 |
| **Total adjustments to the budgetary balance** | **– 746** | **– 261** |
| **BUDGETARY BALANCE WITHIN THE MEANING OF THE *BALANCED BUDGET ACT*** | **– 4 506** | **– 2 900** |

F: Forecasts.

[1] Excluding the adjustments relating to revenues dedicated to the Generations Fund.

- **2010-2011: a budgetary balance of – $4.5 billion**

The $746-million upward adjustment to the budgetary deficit compared with the March 2009 Budget is explained primarily by:

- the $682-million upward revision of the program spending objective, including $325 million stemming from an increase in the government contribution to La Financière agricole du Québec and $195 million for the cost of the new measures announced in this budget;
- the $348-million reduction in revenue from government enterprises, attributable for the most part to a decline of $300 million in Hydro-Québec's net profits;
- the $344-million rise in debt service;
- the inclusion of a $300-million contingency reserve in the government's financial framework.

The $385-million upward adjustment in own-source revenue excluding government enterprises and the positive adjustments of $435 million in federal transfers improve the budgetary balance accordingly.

- **2011-2012: a budgetary balance of – $2.9 billion**

The $261-million upward revision of the budgetary deficit compared with the March 2009 Budget can be attributed mainly to:

- the $300-million decline in Hydro-Québec's profits and the $178-million increase in debt service;
- the fact that these adjustments are partially offset by a $103-million increase in respect of the measures taken under the plan to restore fiscal balance.

## 2. UPDATING OF THE FINANCIAL FRAMEWORK

This section explains the adjustments made since the last budget to the financial framework for 2009-2010 and presents the main factors affecting growth in the government's revenue and expenditure for subsequent years.

### 2.1 Budgetary revenue

The government's budgetary revenue is expected to total $64.5 billion in 2010-2011, i.e. $49.2 billion in own-source revenue and $15.3 billion in federal transfers. Budgetary revenue should grow by 2.9% in 2010-2011 and 2.2% in 2011-2012.

For comparison purposes, the change in budgetary revenue does not include the measures provided for in the plan to restore fiscal balance.

TABLE C.4

**Consolidated Revenue Fund**
**Change in budgetary revenue[1]**
(millions of dollars)

| | 2009-2010 Budget | | 2010-2011 Budget[P] | | |
|---|---|---|---|---|---|
| | **2009-2010** | **Adjustments** | **2009-2010** | **2010-2011** | **2011-2012** |
| **Own-source revenue** | | | | | |
| Own-source revenue excluding government enterprises | 42 612 | 207 | 42 819 | 44 699 | 46 660 |
| *% change* | −2.8 | | −2.4 | 4.4 | 4.4 |
| Government enterprises | 4 759 | − 157 | 4 602 | 4 465 | 4 595 |
| *% change* | 0.5 | | −8.2 | −3.0 | 2.9 |
| **Total** | **47 371** | **50** | **47 421** | **49 164** | **51 255** |
| ***% change*** | **−2.4** | | **−3.0** | **3.7** | **4.3** |
| Federal transfers | 14 841 | 388 | 15 229 | 15 325 | 14 681 |
| *% change* | 6.6 | | 8.6 | 0.6 | −4.2 |
| **Budgetary revenue** | **62 212** | **438** | **62 650** | **64 489** | **65 936** |
| ***% change*** | **−0.4** | | **−0.4** | **2.9** | **2.2** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

1 Excluding the measures provided for in the plan to restore fiscal balance (See Appendix 3 for the impact of the measures on the government's financial framework).

## 2.1.1 Own-source revenue excluding government enterprises

### ☐ Upward adjustments in 2009-2010

Preliminary results for fiscal 2009-2010 show that own-source revenue, excluding the profits of government enterprises, is adjusted upward by $207 million compared with the March 2009 Budget and posts a decline of 2.4% compared with the previous year.

#### ■ Adjustments to own-source revenue by source

Revenue from personal income tax is revised downward by $705 million, despite the progression of salaries and wages in 2009. This revision reflects essentially the change in income tax payable, which was much lower than expected. In particular, the financial crisis and the recession led to a significant decline in capital gains realized in respect of 2008. This result had recurrent effects in 2009-2010. In addition, tax instalments in respect of 2009, which are based on income tax paid in 2008, have been revised downward.

Contributions to the Health Services Fund are adjusted upward slightly by $50 million, in accordance with the positive adjustment of salaries and wages in 2009.

Revenue from corporate taxes is revised upward by $496 million in 2009-2010. Nevertheless, it showed a decrease of close to 10% compared with the previous year.

- Since the beginning of the year, tax receipts have declined less than was expected.
- The refunds requested by enterprises have continued to put a strain on corporate tax revenue. The accumulation of losses by corporations during the financial crisis and the economic recession enabled them to continue claiming larger refunds in 2009-2010. It should be noted that businesses can claim refunds, particularly by applying losses for the current year against their tax payable for the three previous years. This mechanism contributes to the volatility of this revenue source during a recession.

Consumption tax revenue is adjusted upward by $379 million on account of two main factors.

— Revenue from the Québec sales tax is $302 million higher than forecast in the last budget and reflects, in particular, stronger household consumption in the last two quarters of 2009-2010 and the higher-than-anticipated number of housing starts in 2009. Input tax rebates to businesses were also lower than expected.

— Revenue from the specific tax on tobacco products is revised upward by $65 million owing to the increase in the number of cigarettes sold legally. Better control at the border and deployment of a new Sûreté du Québec team in the Valleyfield region interfered with smugglers' tobacco supply. The reduced supply of illegal products led to an increase in legal sales of tobacco products. In 2009-2010, tobacco tax revenue paid into the Consolidated Revenue Fund will amount to $658 million compared with $594 million in 2008-2009.

TABLE C.5

### Consolidated Revenue Fund
### Change in own-source revenue excluding government enterprises

(millions of dollars)

| | 2009-2010 Budget | | 2010-2011 Budget^P | | |
|---|---|---|---|---|---|
| | 2009-2010 | Adjustments | 2009-2010 | 2010-2011 | 2011-2012 |
| Personal income tax | 18 203 | – 705 | 17 498 | 18 551 | 19 485 |
| *% change* | *– 0.1* | | *– 2.5* | *6.0* | *5.0* |
| Health Services Fund | 5 597 | 50 | 5 647 | 5 843 | 6 022 |
| *% change* | *0.4* | | *0.3* | *3.5* | *3.1* |
| Corporate taxes | 3 266 | 496 | 3 762 | 3 849 | 4 104 |
| *% change* | *– 17.8* | | *– 9.9* | *2.3* | *6.6* |
| Consumption taxes | 13 184 | 379 | 13 563 | 14 081 | 14 637 |
| *% change* | *– 2.3* | | *1.2* | *3.8* | *3.9* |
| Other revenue | 2 362 | – 13 | 2 349 | 2 375 | 2 412 |
| *% change* | *– 7.7* | | *– 13.7* | *– 1.1* | *1.6* |
| **Own-source revenue excluding government enterprises** | **42 612** | **207** | **42 819** | **44 699** | **46 660** |
| ***% change*** | ***– 2.8*** | | ***– 2.4*** | ***4.4*** | ***4.4*** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

## Resumption of growth in own-source revenue in 2010-2011

After posting a decrease of 2.4% in 2009-2010, own-source revenue, excluding that from government enterprises, will increase by 4.4% in 2010-2011, a rate equivalent to economic growth.

— The change in the government's main tax bases is expected to reflect the growth of 4% in nominal GDP.

In 2011-2012, own-source revenue, excluding that from government enterprises, will grow by 4.4%, a rate equivalent to the increase in nominal GDP, i.e. 4.5%.

### Change in revenue by source

Personal income tax, the main source of government revenue, will increase by 6.0% in 2010-2011 to $18.6 billion.

— Excluding the impact of the refundable tax credit for home improvement and renovation, which ended on December 31, 2009, revenue from personal income tax would instead climb by 4.5%, an increase compatible with the growth in personal income, taking into account the progressive nature of the tax system.

In 2011-2012, revenue from personal income tax should increase by 5.0%, while personal income is expected to grow by 3.5%.

— This slightly stronger growth may be attributed, in particular, to the contribution from retirement income. From now on, income subject to tax will increase more rapidly than personal income given the growing share of income from private retirement plans.

Contributions to the Health Services Fund should rise by 3.5% in 2010-2011 and 3.1% in 2011-2012, in accordance with the aniticipated growth in salaries and wages.

After the decline observed in 2008-2009 and 2009-2010, revenue from corporate taxes will show an increase of 2.3% in 2010-2011 and 6.6% in 2011-2012. Essentially, this anticipated growth is due to two factors.

— First, the fact that profits are expected to rise by 14.5% and 8.0% in 2010 and 2011 respectively will lead to a gradual increase in taxable income and corporate tax revenue.

— In addition, use of the losses accumulated by businesses during the economic slowdown of the past two years and the gradual elimination of the tax on capital, a component of corporate taxes, by January 1, 2011 will continue to offset the growth in revenue from this source.

In 2010-2011 and 2011-2012, revenue from consumption taxes should show an increase of 3.8% and 3.9% respectively, a growth rate comparable with that of household consumption.

### ☐ Change in revenue compatible with that of the economy

Overall, growth in own-source revenue, excluding government enterprises, is expected to be compatible with nominal economic growth for the next two years, leaving aside the financial impact of fiscal measures. As indicated earlier, the measures provided for in the plan to restore fiscal balance have not been incorporated into own-source revenue in this section.

## 2.1.2 Revenue from government enterprises

### ❑ Results for 2009-2010

Revenue from government enterprises is adjusted downward by $157 million for 2009-2010. Hydro-Québec and the Société des alcools du Québec raised their forecast by $100 million and $47 million respectively, while the forecast for Loto-Québec and the Société générale de financement du Québec was revised downward.

Loto-Québec reduced its revenue by $79 million. This revision can be explained for the most part by lower-than-anticipated results for casinos and the Lotto Max lottery, coupled with the impact of the economic slowdown on gaming spending and certain one-time items.

Revenue from other government enterprises was affected mainly by a $226-million downward adjustment of the results of the Société générale de financement du Québec. This decrease is due, in particular, to losses and allowances for losses attributable to the petrochemical and forest product sectors.

TABLE C.6

**Consolidated Revenue Fund**
**Change in revenue from government enterprises**
(millions of dollars)

| | 2009-2010 Budget | | 2010-2011 Budget[P] | | |
|---|---|---|---|---|---|
| | 2009-2010 | Adjustments | 2009-2010 | 2010-2011 | 2011-2012 |
| Hydro-Québec | 2 700 | 100 | 2 800 | 2 400 | 2 400 |
| Loto-Québec | 1 295 | – 79 | 1 216 | 1 287 | 1 287 |
| Société des alcools du Québec | 800 | 47 | 847 | 877 | 915 |
| Other | – 36 | – 225 | – 261 | – 99 | – 7 |
| **Revenue from government enterprises** | **4 759** | **– 157** | **4 602** | **4 465** | **4 595** |
| ***% change*** | ***0.5*** | | ***–8.2*** | ***–3.0*** | ***2.9*** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

## ☐ Outlook for 2010-2011 and 2011-2012

Revenue from government enterprises for 2010-2011 and 2011-2012 will amount to $4.5 billion and $4.6 billion respectively.

The anticipated $2.4-billion reduction in Hydro-Québec revenues over the next two years, in accordance with its strategic plan tabled in summer 2009, will be partly offset by growth in the revenue of the Société des alcools du Québec and Loto-Québec.

**Application of new capital expenditure accounting standards by Hydro-Québec**

As of January 1, 2011, entities subject to public accountability and government enterprises will have to apply the new International Financial Reporting Standards (IFRS).

To prepare for the compulsory replacement of generally accepted accounting principles with IFRS in 2011, Hydro-Québec has employed the straight-line method of depreciation since January 1, 2010, because the compound interest method of depreciation at a rate of 3% is not a recognized method under IFRS. Hydro-Québec has applied this new depreciation method retrospectively with restatement of prior fiscal years for assets related to unregulated activities, including those of Hydro-Québec Production.

This accounting change has had an impact on Hydro-Québec's financial position as at January 1, 2010, in the form of a roughly $3.8-billion decrease in tangible fixed assets and retained earnings. It has also substantially increased the annual amortization expense. In 2010, this expense will climb by close to $150 million for Hydro-Québec Production.

## 2.1.3 Revenues from federal transfers

In 2009-2010, federal transfer revenues should reach $15.2 billion, or $388 million more than forecast in the March 2009 Budget. This revision stems essentially from the signing of new agreements between the federal government and the Québec government, particularly:

- the Canada-Québec Labour Market Agreement, announced on April 30, 2009, which results in a roughly $700-million increase in transfer revenues over six years, i.e. $116 million per year as of 2008-2009;
- the Canada-Québec Base Fund Agreement on infrastructure (Building Canada) announced on May 22, 2009, which generates additional revenues of $175 million over two years, i.e. $100 million in 2009-2010 and $75 million in 2010-2011.

For 2010-2011 and 2011-2012, federal transfer revenues are expected to amount to $15.3 billion and $14.7 billion.

TABLE C.7

**Consolidated Revenue Fund**
**Change in federal transfers**
(millions of dollars)

| | 2009-2010 Budget | | 2010-2011 Budget$^{P}$ | | |
|---|---|---|---|---|---|
| | **2009-2010** | **Adjustments** | **2009-2010** | **2010-2011** | **2011-2012** |
| Equalization | 8 355 | — | 8 355 | 8 552 | 7 888 |
| *% change* | *4.1* | | *4.1* | *2.4* | *−7.8* |
| Health transfers | 4 137 | 11 | 4 148 | 4 264 | 4 504 |
| *% change* | *10.6* | | *10.9* | *2.8* | *5.6* |
| Transfers for post-secondary education and other social programs | 1 413 | 48 | 1 461 | 1 432 | 1 452 |
| *% change* | *11.5* | | *15.3* | *−2.0* | *1.4* |
| Other programs | 936 | 329 | 1 265 | 1 077 | 837 |
| *% change* | *5.4* | | *28.0* | *−14.9* | *−22.3* |
| **Federal transfers** | **14 841** | **388** | **15 229** | **15 325** | **14 681** |
| ***% change*** | ***6.6*** | | ***8.6*** | ***0.6*** | ***−4.2*** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

The equalization amounts for 2009-2010 and 2010-2011 are definitive.

Equalization revenues are expected to fall by 7.8% in 2011-2012 due to Québec's relatively good performance during the 2009 recession. This delay results from the smoothing mechanism used by the federal government to determine equalization payments (three-year moving average delayed by two years).

TABLE C.8

**Smoothing mechanism used by the federal government to determine equalization payments**

| 2007-2008 | 2008-2009 | 2009-2010 | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 |
|---|---|---|---|---|---|---|
| 25% | 25% | 50% | → | Payments | | |
| | 25% | 25% | 50% | → | Payments | |
| | | 25% | 25% | 50% | → | Payments |

In 2009-2010, health transfers and transfers for post-secondary education and other social programs are expected to grow by 10.9% and 15.3% respectively. This growth stems, in particular, from the impacts of the recession and the tax relief announced in the 2009 federal budget, which reduce the value of the special Québec abatement that is subtracted from these transfers.

As for revenues from other programs, the 14.9% decrease anticipated in 2010-2011 can be explained partly by the end of two trusts created by the federal government in 2008, namely, the Public Transit Capital Trust and the Community Development Trust. The decline of 22.3% expected in 2011-2012 is due, in particular, to the end of the Canada-Québec Base Fund Agreement on infrastructure (Building Canada) and of federal compensation in respect of the elimination of the tax on capital.

## Canada Student Grants Program

Since 1964, Québec has exercised the right to opt out with financial compensation in regard to federal student assistance.

In the 2008 Budget, the federal government announced the end of the Canada Millennium Scholarship Foundation and, on August 1, 2009, created the Canada Student Grants Program (CSGP).

On February 3, 2010, the federal government announced that Québec's compensation in regard to the CSGP for the 2009-2010 loan year will be approximately $115 million. The exact amount should be known and paid in January 2011.

- This compensation of $115 million includes both the $80 million stemming previously from the Canada Millennium Scholarship Foundation and the roughly $30 million in respect of grants included until just recently in the Canada Student Grants Program (CSGP).
- As of 2009-2010, $80 million in respect of the Millennium Scholarships, formerly accounted for in a specified purpose account, will be included in the appropriations of the Ministère de l'Éducation, du Loisir et du Sport.
- It should be noted that the "loans" component of the CSGP is being maintained by the federal government. This component generates roughly $90 million to $100 million in compensation per year.

The total compensation expected from the federal government with regard to loans and grants for 2009-2010 is thus comparable to that for previous years, i.e. approximately $205 million.

However, the adjustment to federal transfer revenues takes into account the fact that the fiscal year of the federal program does not coincide with the fiscal year of the Québec government.

These adjustments to revenue and expenditure lead to a $40-million increase in the deficit in 2009-2010. The government has therefore decided to maintain a comparable level of service for students.

**Compensation for Québec's opting out of federal loans and grants programs**
(millions of dollars)

| | 2009-2010 | 2010-2011 | 2011-2012 |
|---|---|---|---|
| Adjustment to federal transfer revenues[1] | 40 | 77 | 82 |
| Less: Increase in program spending | 80 | 80 | 80 |
| **Impact on the deficit** | **– 40** | **– 3** | **2** |

[1] The adjustment takes into account the government's fiscal year (April 1 to March 31 ), which is different from that of the federal program (school year from August 1 to July 31).

## 2.2 Budgetary expenditure

The government's budgetary expenditure, which includes program spending and debt service, is expected to reach $69.6 billion in 2010-2011, i.e. $62.6 billion for program spending and $7.0 billion for debt service. Program spending should increase by 2.9% in 2010-2011 and 2.2% in 2011-2012.

TABLE C.9

**Consolidated Revenue Fund**
**Change in budgetary expenditure**
(millions of dollars)

| | **2009-2010 Budget** | | **2010-2011 Budget**[P] | | |
|---|---|---|---|---|---|
| | **2009-2010** | **Adjustments** | **2009-2010** | **2010-2011** | **2011-2012** |
| Program spending | 59 989 | 780 | 60 769 | 62 561 | 63 907 |
| *% change* | *4.5* | | *3.8* | *2.9* | *2.2* |
| Debt service | 6 104 | 50 | 6 154 | 6 990 | 7 841 |
| *% change* | *– 7.4* | | *– 5.4* | *13.6* | *12.2* |
| **Budgetary expenditure** | **66 093** | **830** | **66 923** | **69 551** | **71 748** |
| ***% change*** | **3.3** | | **2.9** | **3.9** | **3.2** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

## 2.2.1 Adjustments to program spending

### ☐ 2009-2010

Program spending in 2009-2010 stands at $60.8 billion, an increase of 3.8% compared with 2008-2009. This represents an upward revision of $780 million relative to the target of $60.0 billion.

This adjustment can be explained mainly by:

- the $380-million increase in the government's contribution for La Financière agricole du Québec;
- the cost of $126 million attributable to spending in respect of the A (H1N1) flu pandemic;
- the $150-million impact of the enhancement of the Renfort program from $1.2 billion to $2.0 billion in order to assist Québec companies facing liquidity problems;
- the $80 million in compensation from the federal government under its student loans and grants programs, in place of the Millennium Scholarship Program.

### ☐ 2010-2011 and subsequent years

Growth in program spending for 2010-2011 will be 2.9%, or less than the rate of 3.2% initially defined in the plan to restore fiscal balance.

The program spending objective for 2010-2011 is raised by $682 million and incorporates, in particular:

- $317 million associated mainly with the recurrence of the 2009-2010 adjustments, including $325 million for the increase in the government's contribution to La Financière agricole du Québec;
- $195 million for all the spending measures announced in this budget;
- $170 million for the recurrence of the Renfort program and the additional resources to fight tax evasion and avoidance announced in the *Update on Québec's Economic and Financial Situation*.

As of 2011-2012, program spending growth will be rolled back to 2.2% so as to restore fiscal balance.

TABLE C.10

### Change in program spending[P]

(millions of dollars)

| | 2009-2010 | 2010-2011 | 2011-2012 |
|---|---|---|---|
| **PROGRAM SPENDING OBJECTIVE IN THE 2009-2010 BUDGET** | **59 989** | **61 879** | **63 829** |
| ***% change*** | ***4.5*** | ***3.2*** | ***3.2*** |
| **ADJUSTMENTS** | | | |
| **Measures in the 2010-2011 Budget** | | | |
| - Solidifying recovery | — | 67 | 16 |
| - Balancing public finances to protect our values | — | 43 | 53 |
| - Liberating the ambitions of Quebecers | — | 85 | 150 |
| **Subtotal** | **—** | **195** | **219** |
| **2010-2011 Budget: other adjustments** | | | |
| - Government contribution to La Financière agricole du Québec | 380 | 340[1] | 345[1] |
| - Cost attributable to the A (H1N1) flu pandemic | 126 | — | — |
| - Compensation for Québec's opting out of federal loans and grants programs[2] | 80 | 80 | 80 |
| - Other adjustments | 44 | – 103 | – 606 |
| **Subtotal** | **630** | **317** | **– 181** |
| **Total adjustments in the 2010-2011 Budget** | **630** | **512** | **38** |
| Adjustments announced in the *Update on Québec's Economic and Financial Situation* | | | |
| - Financing measures for businesses: increase in the Renfort program from $1.2 billion to $2.0 billion | 150 | 150 | — |
| - Additional resources to fight tax evasion and avoidance | — | 20 | 40 |
| **Total adjustments in the *Update on Québec's Economic and Financial Situation*** | **150** | **170** | **40** |
| **TOTAL ADJUSTMENTS SINCE THE 2009-2010 BUDGET** | **780** | **682** | **78** |
| **PROGRAM SPENDING OBJECTIVE IN THE 2010-2011 BUDGET** | **60 769** | **62 561** | **63 907** |
| ***% change*** | ***3.8*** | ***2.9*** | ***2.2*** |

P : Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] These amounts include $15 million in 2010-2011 and $20 million in 2011-2012 within the budget of the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation for the measures to support the adaptation and multifunctionality of agriculture.

[2] For more information on this adjustment, see the box in section 2.1.3.

## 2.2.2 Action plan to reduce spending growth so as to achieve fiscal balance

Reducing spending growth to 2.9% in 2010-2011 and 2.2% thereafter will help to achieve the goal of restoring fiscal balance. To that end, the Chair of the Conseil du trésor is introducing a spending control action plan.

The plan aims to:

- demonstrate the government's will to exert firm control over spending in the government as a whole;
- introduce means to:
  - comply with the rate set for spending growth in the coming years;
  - review certain programs, particularly as part of the review mandates already being carried out;
  - find leeway in the budgets provided in order to take new initiatives.

Between now and 2013-2014, the government's action plan will focus on the following three components:

- fair and responsible remuneration of employees, through control over labour costs;
- a well-organized government, through ongoing restructuring of government bodies and continued staff reductions;
- continuous improvement of efficiency, through systematic assessment of program delivery and of administrative efficiency.

### 2.2.3 Efforts on the part of all government departments

Program spending will climb from $60 769 million in 2009-2010 to $62 561 million in 2010-2011, an increase of $1 792 million, or 2.9%.

Over the coming years, all government departments will have to take part in the collective effort to restore fiscal balance.

TABLE C.11

**Growth in program spending in 2010-2011P**
(millions of dollars)

| | | | Growth | |
|---|---|---|---|---|
| | **2009-2010** | **2010-2011** | $ million | % |
| Santé et Services sociaux | 26 979.5 | 27 967.2 | 987.7 | 3.7 |
| Éducation, Loisir et Sport | 14 489.2 | 14 805.0 | 315.9 | 2.2 |
| Transports | 2 547.5 | 2 787.5 | 240.0 | 9.4 |
| Famille et Aînés | 2 066.6 | 2 178.6 | 112.1 | 5.4 |
| Other departments | 14 686.1 | 14 822.7 | 136.4 | 0.9 |
| **TOTAL** | **60 768.9** | **62 561.0** | **1 792.1** | **2.9** |

P: Preliminary results for 2009-2010 and forecasts for 2010-2011.
Source: Secrétariat du Conseil du trésor.
Note: Since figures are rounded, the sum of the amounts entered for each portfolio may not correspond to the total.

### ☐ Health: 3.7% increase in 2010-2011

The budget allocated to health and social services is being raised by $988 million, or 3.7%, in 2010-2011. This increase, which accounts for 55.1% of the total growth in program spending, will make it possible to maintain public services.

Excluding the non-recurring cost of $126 million attributable to expenditures in respect of the A (H1N1) flu pandemic in 2009-2010, spending is expected to grow by 4.1% in 2010-2011.

## ❑ Education: 2.2% budget increase

The budget of the Ministère de l'Éducation, du Loisir et du Sport is being increased by 2.2%, or an additional $316 million. This increase accounts for 17.6% of total program spending growth. In addition, the education budget will make it possible to implement the action strategy on student retention and student success.

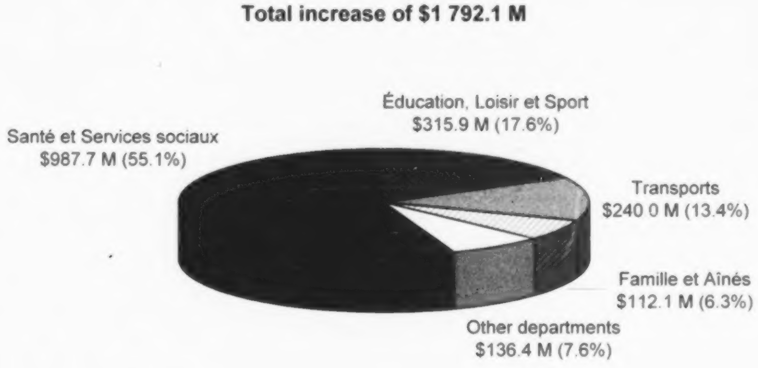
## ❑ Other departments

The program spending budget of the other departments is being raised by 2.5%, or $489 million, in 2010-2011. This increase will make it possible to continue supporting the government's other priorities, particularly:

- $240 million for the Ministère des Transports, an increase of 9.4%, in order to fund the investments announced in the road network and the public transit system;
- $112 million for the Ministère de la Famille et des Aînés, an increase of 5.4%, which will make it possible to fund the new reduced-contribution child-care spaces developed in 2009-2010 and to continue developing new spaces in 2010-2011;
- $136 million for the other departments. Excluding the $282 million provided in the Contingency Fund, the budgets of the other departments are reduced by 1.0% overall.

CHART C.1

**Breakdown of program spending growth in 2010-2011$^F$**
(millions of dollars and per cent)



F: Forecasts.
Source: Secrétariat du Conseil du trésor.

## ☐ The government's action in its essential missions

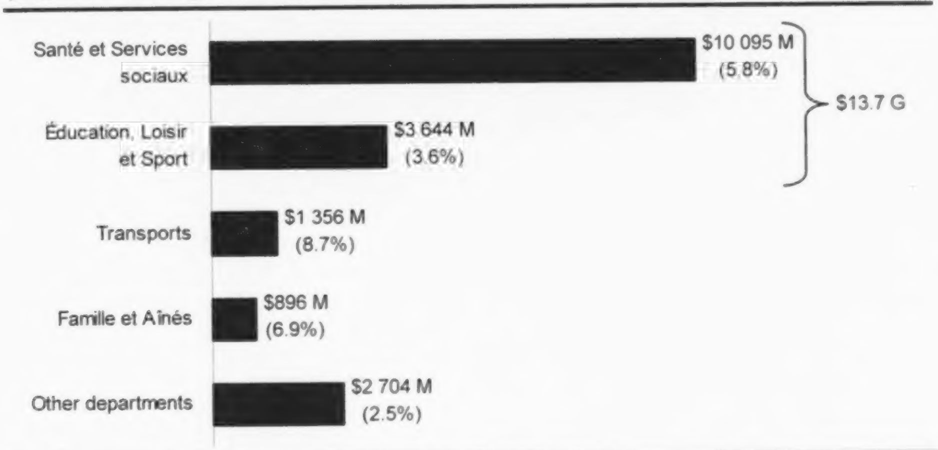
The government continues to invest in its essential missions, including health and education. From 2003-2004 to 2010-2011, average annual spending in health and education will rise by 5.8% and 3.6% respectively.

In all, since 2003, the government has added $13.7 billion to the health and education budgets, i.e. $10.1 billion and $3.6 billion respectively.

— On their own, these expenditures account for over 73 % of the increase in program spending since 2003-2004.

CHART C.2

**Increase in program spending from 2003-2004 to 2010-2011**
(dollars and average annual growth in per cent)



Note: Forecasts for 2010-2011.

## 2.2.4 Weight of government spending in the economy

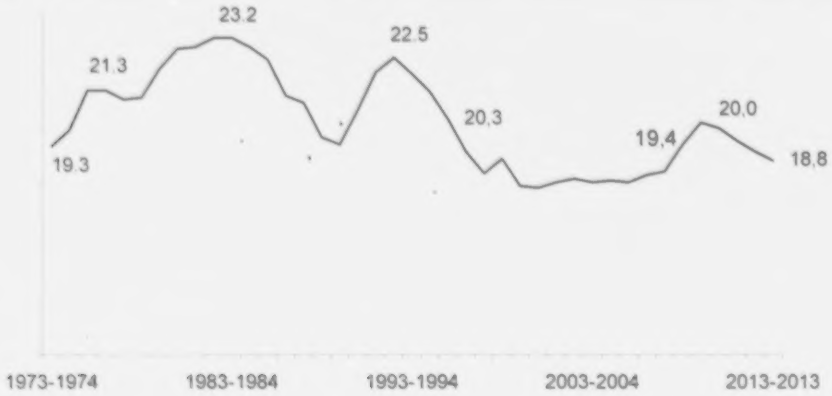
The forecast for program spending in 2010-2011 is in line with the government's overall objective to restore fiscal balance by 2013-2014.

The weight of spending in the economy should be 20% in 2010-2011.

Thereafter, the government plans to stay the course of disciplined program spending management and, between now and 2013-2014, gradually bring the weight of spending in the economy down to a proportion equal to that observed prior to the economic recession.

CHART C.3

**Program spending**
(as a percentage of GDP)



Note: Preliminary results for 2009-2010 and forecasts for subsequent years.

## 2.2.5 Debt service

In 2009-2010, debt service should amount to $6.2 billion, i.e. $3.8 billion for direct debt service and $2.4 billion for interest ascribed to the retirement plans.

Overall, debt service is revised upward by $50 million compared with the March 2009 Budget.

Debt service fell by 5.4% in 2009-2010 essentially because of the decline in interest rates. In 2010-2011 and 2011-2012, debt service is expected to climb by 13.6% and 12.2% respectively. This variance can be attributed to higher interest rates, the increase in the debt and the impact of the returns of the Caisse de dépôt et placement du Québec on the income of the Retirement Plans Sinking Fund (which is applied against the interest on the retirement plans account).

TABLE C.12

**Consolidated Revenue Fund**
**Change in debt service**
(millions of dollars)

| | 2009-2010 Budget | | 2010-2011 Budget[P] | | |
|---|---|---|---|---|---|
| | **2009-2010** | **Adjustments** | **2009-2010** | **2010-2011** | **2011-2012** |
| Direct debt service | 3 760 | 29 | 3 789 | 4 408 | 4 925 |
| Interest ascribed to the retirement plans | 2 344 | 31 | 2 375 | 2 597 | 2 937 |
| Employee future benefits[1] | 0 | – 10 | – 10 | – 15 | – 21 |
| **Debt service** | **6 104** | **50** | **6 154** | **6 990** | **7 841** |
| ***% change*** | ***– 7.4*** | | ***– 5.4*** | ***13.6*** | ***12.2*** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

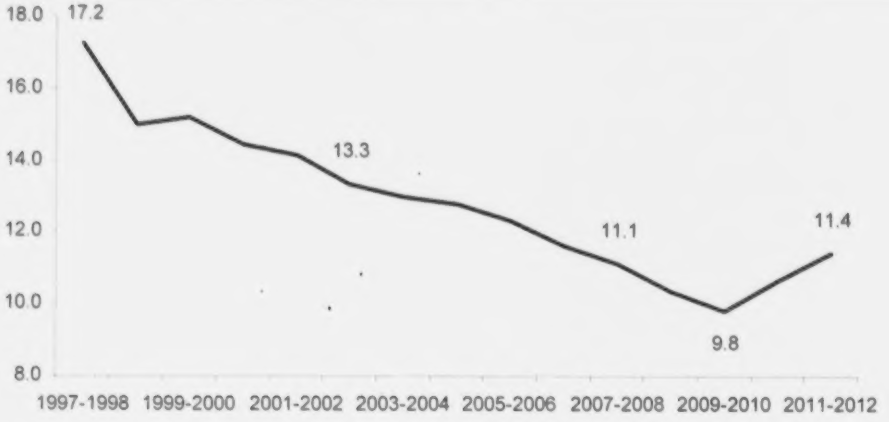
[1] Including the interest on the obligation relating to the survivor's pension plan minus the investment income of the Survivor's Pension Plan Fund and the interest on the obligation relating to accumulated sick leave minus the investment income of the Accumulated Sick Leave Fund.

### ❑ A smaller proportion of revenue is being devoted to servicing the debt

The share of budgetary revenue devoted to the debt service of the Consolidated Revenue Fund should stand at 11.4% in 2011-2012, compared with 17.2% in 1997-1998.

CHART C.4

**Consolidated Revenue Fund debt service**
(as a percentage of budgetary revenue)



Note: Preliminary results for 2009-2010 and forecasts for subsequent years.

## 2.3 Government investments

### 2.3.1 The Québec Infrastructures Plan

Over the coming years, the government will continue to invest in Québec's public infrastructures. As prescribed by the *Act to promote the maintenance and renewal of public infrastructures*, a substantial portion of these investments will be allocated to maintaining the quality of existing infrastructures and eliminating the maintenance deficit accumulated during the years prior to the adoption of the Act.

Under the 2009-2014 Québec Infrastructures Plan, the government will invest $42.6 billion over five years, which represents an increase of $831.3 million, or 2.0%, compared with the previous plan. If the impact of the addition of new sectors is excluded, the increase amounts to 1.5%.

Coupled with the contribution of the Québec government's various partners in the projects included in the five-year plan, investments under the 2009-2014 Québec Infrastructures Plan will reach $56.2 billion over five years.

TABLE C.13

**Infrastructure investments in 2009-2014**
(millions of dollars)

| | |
|---|---|
| **2008-2013 Québec Infrastructures Plan** | **41 808.1** |
| Increase in the five-year budget: 2% | 831.3 |
| **2009-2014 Québec Infrastructures Plan** | **42 639.4** |
| Contribution from partners[1] | 13 512.2 |
| **Total infrastructure investments in 2009-2014** | **56 151.6** |

[1] Federal government, municipalities and other partners.

## ☐ Substantial acceleration of investment to support the economy

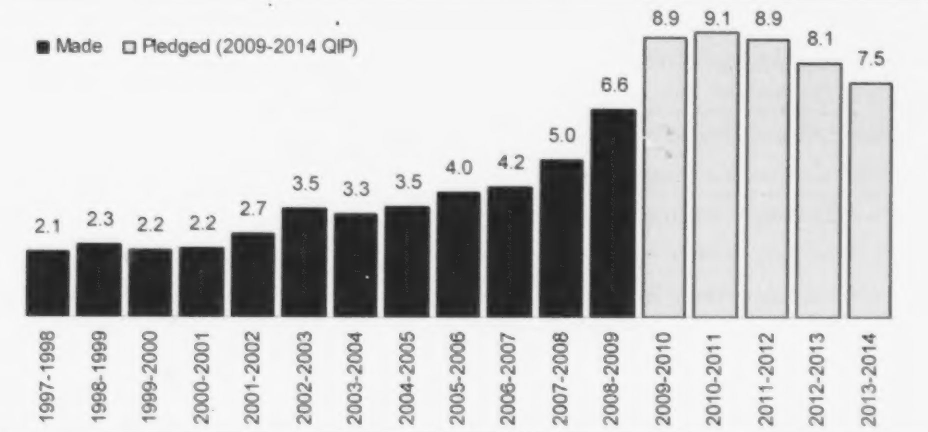
Since the first five-year investment plan was adopted in 2007, government investments have risen substantially, from $4.2 billion in 2006-2007 to $5.0 billion in 2007-2008 and to $6.6 billion in 2008-2009. They will stand at $8.9 billion in 2009-2010 and reach $9.1 billion in 2010-2011.

This acceleration of infrastructure investment was undertaken to eliminate the maintenance deficit and support the Québec economy during an economic slowdown.

After 2010-2011, the annual level of investment will gradually be rolled back to a level compatible with the *Act to promote the maintenance and renewal of public infrastructures*, which makes provision for an asset maintenance budget and the elimination of the maintenance deficit over 15 years.

CHART C.5

**Change in infrastructure investment**
(contribution from the Québec government, billions of dollars)



(1) The difference between total annual investments and total investments of $42.6 billion under the 2009-2014 Québec Infrastructures Plan is related to the rounding off of annual amounts. Annual investments are detailed in an appendix to this section.

## 2.3.2 Investments by Québec government departments and organizations

In addition to investments of roughly $9.1 billion under the 2010-2011 Québec Infrastructures Plan, the Québec government will invest $1.4 billion through its various departments, agencies and special funds. These investments will include capital expenditures required for government functions and for maintaining the quality of public services.

TABLE C.14

**Investments by government departments, agencies and special funds**
(millions of dollars)

| | 2010-2011 |
|---|---|
| Departments and budget-funded bodies | 399.6 |
| Non-budget-funded bodies | 669.8 |
| Special funds | 315.4 |
| **TOTAL** | **1 384.8** |

Note: These investments exclude those made under the Québec Infrastructures Plan.

## 2.3.3 Investments by government enterprises

Government enterprises will also make major investments in the coming years. In 2010-2011, investments by Hydro-Québec, Loto-Québec and the Société des alcools du Québec will reach $5.2 billion. Over the period from 2009-2010 to 2011-2012, investments by these corporations will total $15.0 billion.

TABLE C.15

**Investments by government enterprises**
(millions of dollars)

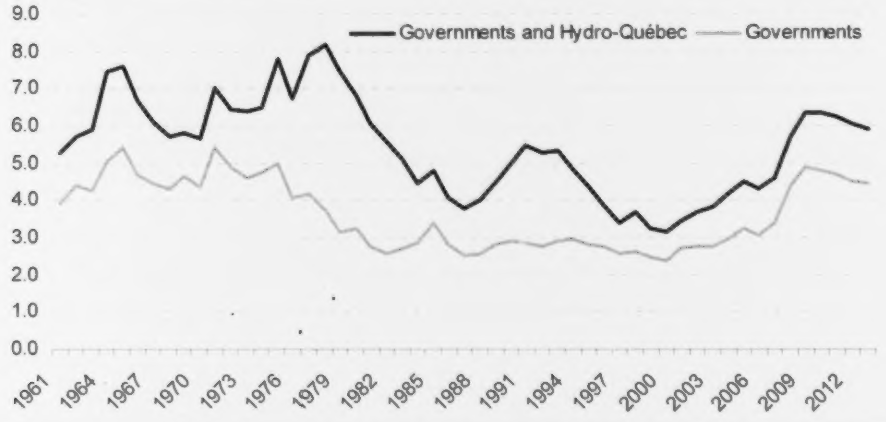
| | 2009-2010 | 2010-2011 | 2011-2012 | Total |
|---|---|---|---|---|
| Hydro-Québec | 4 340.0 | 4 847.0 | 4 997.0 | 14 184.0 |
| Loto-Québec | 154.9 | 251.0 | 239.3 | 645.2 |
| Société des alcools du Québec | 45.9 | 63.9 | 53.1 | 162.9 |
| **TOTAL** | **4 540.8** | **5 161.9** | **5 289.4** | **14 992.1** |

## 2.3.4 Public investments in the economy

Public investments in Québec, including those by the Québec Infrastructures Plan, Hydro-Québec, the municipalities and the federal government reached 6.3% of GDP in 2009, a level not seen for over 25 years.

CHART C.6

**Investments by governments[1] and Hydro-Québec in Québec**
(as a percentage of GDP)



Sources: Statistics Canada and Ministère des Finances du Québec.
1 Québec government, federal government and municipalities.

In fact, the forecast average investment of $13.6 billion in 2009-2010 and 2010-2011 by the government under its Québec Infrastructures Plan and by Hydro-Québec will create or support close to 100 000 jobs in Québec, i.e. 2.5% of all jobs.

The increase in public investments by the Québec government and Hydro-Québec will sustain 35 000 more jobs than five years ago.

TABLE C.16

**Jobs supported by the Québec Infrastructures Plan[1] and Hydro-Québec**

| | Average annual value of investments ($ billion) | Average annual number of jobs[2] (units) |
|---|---|---|
| 2003-2004 to 2008-2009 | 7.8 | 63 000 |
| Increase between the two periods | 5.8 | 35 000 |
| 2009-2010 and 2010-2011 | 13.6 | 98 000 |

1 Ministère des Finances du Québec estimates based on the intersectoral model of the ISQ.
2 Québec government contributions only.

# 3. BUDGETARY FORECASTS FOR REVENUE AND CONSOLIDATED EXPENDITURE

Starting with the 2010-2011 Budget, the government will present consolidated financial forecasts for revenue and expenditure. Accordingly, the budgetary revenue and expenditure of all the entities in the government's reporting entity, including the entities in the health and social services and education networks and other government organizations, are being added to the budgetary revenue and expenditure of the Consolidated Revenue Fund. The results for the budgetary balance differ in no way from those shown in the preceding tables. This presentation makes it possible, among other things, to isolate the own-source revenues of consolidated entities and their attendant expenditures.

Consolidated budgetary transactions provide more complete information on the government's financial projections.

The following table presents the government's consolidated financial framework for fiscal 2009-2010 to 2011-2012.

Within the meaning of the Balanced Budget Act, the budgetary balance is in deficit by $4.3 billion for 2009-2010. Thereafter, it will be in deficit by $4.5 billion in 2010-2011 and $2.9 billion in 2011-2012.

TABLE C.17

## Consolidated financial framework for revenue and expenditure
## Consolidated results by entity

(millions of dollars)

| | 2010-2011 Budget[P] | | |
|---|---|---|---|
| | 2009-2010 | 2010-2011 | 2011-2012 |
| **Revenue**[1] | | | |
| Consolidated Revenue Fund | 62 650 | 64 489 | 65 936 |
| Consolidated entities[2] | 10 762 | 11 212 | 11 639 |
| Specified purpose accounts[2] | 665 | 1 647 | 842 |
| **Consolidated revenue** | **74 077** | **77 348** | **78 417** |
| **Expenditure** | | | |
| Consolidated Revenue Fund | – 66 923 | – 69 551 | – 71 748 |
| Consolidated entities[2] | – 10 164 | – 10 515 | – 10 791 |
| Specified purpose accounts[2] | – 665 | – 1 647 | – 842 |
| Contingency reserve | – 300 | – 300 | — |
| **Consolidated expenditure** | **– 78 052** | **– 82 013** | **– 83 381** |
| Impact of the plan to restore fiscal balance | | 1 051 | 3 036 |
| **DEFICIT** | **– 3 975** | **– 3 614** | **– 1 928** |
| Deposit of dedicated revenues in the Generations Fund | – 715 | – 892 | – 972 |
| Stabilization reserve | 433 | — | — |
| **BUDGETARY BALANCE WITHIN THE MEANING OF THE *BALANCED BUDGET ACT*** | **– 4 257** | **– 4 506** | **– 2 900** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] For the purpose of presenting the Budget Plan, revenue of the government as employer that is contributed to the Health Services Fund is deducted from the revenue of consolidated entities.

[2] Amounts from entities in the reporting entity are deducted from revenue and expenditure.

## 3.1 Line-by-line consolidation

To ensure the information in the budget documents is better aligned with the presentation in the public accounts, the budget plan will henceforth present all of the consolidated revenues and expenditures of the entities included in the government's reporting entity.

— Until 2007-2008, the budget plan presented the net results of consolidated organizations, as well as certain summary information on the revenue and expenditure of non-budget-funded bodies and special funds. Those of the Generations Fund and the health and social services and education networks were added in 2008-2009.

— From now on, the revenue and expenditure of all these entities and the specified purpose accounts will be presented separately and added to those of the Consolidated Revenue Fund. This approach, which is called line-by-line consolidation, also requires eliminating transactions between related entities, particularly transfer expenditures from the government that are paid to consolidated entities and the corresponding revenues received by these entities. These transactions are carried out within the government and have no impact on its deficit or annual surplus.

The presentation of the budget documents will thus correspond to that of the public accounts. Starting in fiscal 2009-2010, governments have been asked by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) to consolidate line by line, in their financial statements, all the entities included in their reporting entity, including the transactions of their networks.

This will improve the quality and transparency of the information produced as part of the governent's budget planning.

Table C.18 presents the main revenue and expenditure categories of the government's consolidated financial framework for 2009-2010 and 2010-2011.

TABLE C.18

## Consolidated financial framework for revenue and expenditure

### Consolidated results by activity

(millions of dollars)

| | 2010-2011 Budget$^P$ | |
|---|---|---|
| | **2009-2010** | **2010-2011** |
| **Revenue** | | |
| Income and property taxes | 26 881 | 28 410 |
| Consumption taxes | 13 773 | 14 287 |
| School property taxes | 1 453 | 1 467 |
| Duties and permits | 1 886 | 1 969 |
| Miscellaneous | 7 226 | 7 465 |
| Government enterprises | 4 602 | 4 465 |
| Revenues dedicated to the Generations Fund | 715 | 892 |
| **Own-source revenue** | **56 536** | **58 955** |
| Federal transfers | 17 541 | 18 393 |
| **Total revenue** | **74 077** | **77 348** |
| **Expenditure** | | |
| Expenditure | – 69 824 | – 72 712 |
| Contingency reserve | – 300 | – 300 |
| Debt service | – 7 928 | – 9 001 |
| **Total expenditure** | **– 78 052** | **– 82 013** |
| **DEFICIT BEFORE PLAN TO RESTORE FISCAL BALANCE** | **– 3 975** | **– 4 665** |
| Plan to restore fiscal balance | | 1 051 |
| **DEFICIT** | **– 3 975** | **– 3 614** |
| Deposit of dedicated revenues in the Generations Fund | – 715 | – 892 |
| Stabilization reserve | 433 | — |
| **BUDGETARY BALANCE WITHIN THE MEANING OF THE *BALANCED BUDGET ACT*** | **– 4 257** | **– 4 506** |

P: Preliminary results for 2009-2010 and forecasts for 2010-2011.

Tables C.19 and C.20 detail the consolidated budgetary forecasts for 2009-2010 and 2010-2011. The consolidation takes into account transactions carried out in consolidated entities and in specified purpose accounts and eliminates financial transactions between entities in the government's reporting entity. The latter transactions are carried out within the government and have no impact on the budgetary balance.

TABLE C.19

## Detailed consolidated financial framework
## Consolidated results by activity

(millions of dollars)

| | 2009-2010[P] | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Consolidated entities | | | Consolidation | | |
| | Consolidated Revenue Fund | Non-budget-funded bodies and special funds[1] | Health and social services and education networks[1] | Generations Fund | Specified purpose accounts | Consolidation adjustments | Consolidated results |
| **Revenue** | | | | | | | |
| Income and property taxes | 26 907 | 749 | | | | – 775 | 26 881 |
| Consumption taxes | 13 563 | 210 | | | | | 13 773 |
| School property taxes | | | 1 453 | | | | 1 453 |
| Duties and permits | 950 | 752 | 184 | | | | 1 886 |
| Miscellaneous | 1 399 | 2 133 | 3 418 | | 283 | – 7 | 7 226 |
| Government enterprises | 4 602 | | | | | | 4 602 |
| Generations Fund | | | | 715 | | | 715 |
| **Own-source revenue** | **47 421** | **3 844** | **5 055** | **715** | **283** | **– 782** | **56 536** |
| Revenue from entities in the reporting entity | | 16 002 | 28 189 | | 460 | – 44 651 | — |
| Federal transfers | 15 229 | 1 670 | 260 | | 557 | – 175 | 17 541 |
| **Total revenue** | **62 650** | **21 516** | **33 504** | **715** | **1 300** | **– 45 608** | **74 077** |
| **Expenditure** | | | | | | | |
| Expenditure | – 60 769 | – 19 623 | – 33 120 | | – 1 300 | 44 988 | – 69 824 |
| Contingency reserve | – 300 | | | | | | – 300 |
| Debt service | – 6 154 | – 1 608 | – 786 | | | 620 | – 7 928 |
| **Total expenditure** | **– 67 223** | **– 21 231** | **– 33 906** | | **– 1 300** | **45 608** | **– 78 052** |
| **(DEFICIT) SURPLUS** | **– 4 573** | **285** | **– 402** | **715** | **—** | **—** | **– 3 975** |
| Deposit of dedicated revenues in the Generations Fund | | | | – 715 | | | – 715 |
| Stabilization reserve | 433 | | | | | | 433 |
| **BUDGETARY BALANCE WITHIN THE MEANING OF THE *BALANCED BUDGET ACT*** | **– 4 140** | **285** | **– 402** | **—** | **—** | **—** | **– 4 257** |

P: Preliminary results.

1 These data present transactions carried out within the government's reporting entity, while the data given in Table C.17 do not take these transactions into account. This has no impact on consolidated results.

TABLE C.20

## Detailed consolidated financial framework
## Consolidated results by activity

(millions of dollars)

| | 2010-2011P | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Consolidated entities | | | Consolidation | | |
| | Consolidated Revenue Fund | Non-budget-funded bodies and special funds[1] | Health and social services and education networks[1] | Generations Fund | Specified purpose accounts | Consolidation adjustments | Consolidated results |
| **Revenue** | | | | | | | |
| Income and property taxes | 28 243 | 973 | | | | – 806 | 28 410 |
| Consumption taxes | 14 081 | 206 | | | | | 14 287 |
| School property taxes | | | 1 467 | | | | 1 467 |
| Duties and permits | 972 | 803 | 194 | | | | 1 969 |
| Miscellaneous | 1 403 | 2 240 | 3 544 | | 285 | – 7 | 7 465 |
| Government enterprises | 4 465 | | | | | | 4 465 |
| Generations Fund | | | | 892 | | | 892 |
| **Own-source revenue** | **49 164** | **4 222** | **5 205** | **892** | **285** | **– 813** | **58 955** |
| Revenue from entities in the reporting entity | | 16 330 | 29 345 | | 464 | – 46 139 | — |
| Federal transfers | 15 325 | 1 424 | 282 | | 1 548 | – 186 | 18 393 |
| **Total revenue** | **64 489** | **21 976** | **34 832** | **892** | **2 297** | **– 47 138** | **77 348** |
| **Expenditure** | | | | | | | |
| Expenditure | – 62 561 | – 20 144 | – 34 173 | | – 2 297 | 46 463 | – 72 712 |
| Contingency reserve | – 300 | | | | | | – 300 |
| Debt service | – 6 990 | – 1 828 | – 858 | | | 675 | – 9 001 |
| **Total expenditure** | **– 69 851** | **– 21 972** | **– 35 031** | | **– 2 297** | **47 138** | **– 82 013** |
| **(DEFICIT) SURPLUS BEFORE PLAN TO RESTORE FISCAL BALANCE** | **– 5 362** | **4** | **– 199** | **892** | **—** | **—** | **– 4 665** |
| Plan to restore fiscal balance | 998 | 28 | 25 | | | | 1 051 |
| **(DEFICIT) SURPLUS** | **– 4 364** | **32** | **– 174** | **892** | **—** | **—** | **– 3 614** |
| Deposit of dedicated revenues in the Generations Fund | | | | – 892 | | | – 892 |
| **BUDGETARY BALANCE WITHIN THE MEANING OF THE *BALANCED BUDGET ACT*** | **– 4 364** | **32** | **– 174** | **—** | **—** | **—** | **– 4 506** |

P: Preliminary results.

[1] These data present transactions carried out within the government's reporting entity, while the data given in Table C.17 do not take these transactions into account. This has no impact on consolidated results.

## 3.2 Consolidated entities

The government's budgetary forecasts must take into account all financial transactions related to activities under its control.

They include the financial transactions of departments, budget-funded bodies and government enterprises, as well as consolidated entities, whose financial transactions must be taken into account in the government's financial forecasts.

These consolidated entities are grouped as follows:

- non-budget-funded bodies and special funds;
- the health and social services and education networks;
- the Generations Fund.

The following table shows the net results of each group of consolidated entities.

TABLE C.9

**Net results of consolidated entities**
(millions of dollars)

| | **2010-2011 Budget[P]** | | |
|---|---|---|---|
| | **2009-2010** | **2010-2011** | **2011-2012** |
| Non-budget-funded bodies and special funds | 285 | 4 | 59 |
| Health and social services and education networks | - 402 | - 199 | - 183 |
| Generations Fund (dedicated revenues) | 715 | 892 | 972 |
| **NET RESULTS BEFORE PLAN TO RESTORE FISCAL BALANCE** | **598** | **697** | **848** |
| Plan to restore fiscal balance | | 53 | 131 |
| **NET RESULTS** | **598** | **750** | **979** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

In December 2007, further to the recommendations of the Task Force on Government Accounting, the government adopted a reform of its accounting policies to bring them into full conformity with generally accepted accounting principles (GAAP). Accordingly, since 2006-2007, its reporting entity has included agencies and institutions in the health and social services network, school boards, CEGEPs, and the Université du Québec and its branches.

This year, in addition to presenting the net results of the health and social services and education networks, the budget presents a projection of the networks' revenue and expenditure and their non-budgetary transactions.

### 3.2.1 Non-budget-funded bodies and special funds

Non-budget-funded bodies and special funds include 104 government entities whose mission is to sell goods and services or fund government programs. For instance:

— the Fonds de conservation et d'amélioration du réseau routier du Québec funds investments for maintaining and developing roads and structures;

— the Fonds de l'assurance médicaments pays the cost of medications and pharmaceutical services for people insured by the Régie de l'assurance maladie du Québec.

For fiscal 2009-2010, the net results of non-budget-funded bodies and special funds show a surplus of $285 million. For 2010-2011 and 2011-2012, the net results of non-budget-funded bodies and special funds are expected to show surpluses of $32 million and $140 million respectively.

These surpluses are attributable mainly to an increase in the government's contribution to La Financière agricole du Québec, up $380 million in 2009-2010 and $325 million as of 2010-2011.

These net results take into account the measures in the plan to restore fiscal balance, which amount to $28 million in 2010-2011 and $81 million in 2011-2012. These measures should total $165 million in 2013-2014.

TABLE C.22

### Non-budget-funded bodies and special funds
### Net results

(millions of dollars)

| | 2010-2011 Budget[P] | | |
|---|---|---|---|
| | 2009-2010 | 2010-2011 | 2011-2012 |
| **Revenue** | | | |
| Income and property taxes | 749 | 973 | 1 414 |
| Consumption taxes | 210 | 206 | 207 |
| Duties and permits | 752 | 803 | 850 |
| Miscellaneous | 2 133 | 2 240 | 2 267 |
| **Own-source revenue** | **3 844** | **4 222** | **4 738** |
| Revenue from entities in the reporting entity | 16 002 | 16 330 | 17 423 |
| Federal transfers | 1 670 | 1 424 | 1 060 |
| **Total revenue** | **21 516** | **21 976** | **23 221** |
| **Expenditure** | | | |
| Remuneration | – 2 138 | – 2 185 | – 2 188 |
| Operating | – 17 485 | – 17 959 | – 18 752 |
| Debt service | – 1 608 | – 1 828 | – 2 222 |
| **Total expenditure** | **– 21 231** | **– 21 972** | **– 23 162** |
| **NET RESULTS BEFORE PLAN TO RESTORE FISCAL BALANCE** | **285** | **4** | **59** |
| Plan to restore fiscal balance | | 28 | 81 |
| **NET RESULTS** | **285** | **32** | **140** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

## List of non-budget-funded bodies and special funds

### Non-budget-funded bodies

Agence de l'efficacité énergétique

Agence métropolitaine de transport

Autorité des marchés financiers

Bibliothèque et Archives nationales du Québec

Bureau de décision et de révision en valeurs mobilières

Centre de la francophonie des Amériques

Centre de recherche industrielle du Québec

Centre de services partagés du Québec

Commission de la capitale nationale du Québec

Commission des lésions professionnelles

Commission des normes du travail

Commission des relations du travail

Commission des services juridiques

Conseil des arts et des lettres du Québec

Conservatoire de musique et d'art dramatique du Québec

Corporation d'hébergement du Québec

Corporation d'urgences-santé

École nationale de police du Québec

École nationale des pompiers du Québec

Financement-Québec

Fondation de la faune du Québec

Fonds d'aide aux recours collectifs

Fonds d'assurance-prêts agricoles et forestiers

Fonds de la recherche en santé du Québec

Fonds québécois de la recherche sur la nature et les technologies

Fonds québécois de la recherche sur la société et la culture

Héma-Québec

Immobilière SHQ

Infrastructure Québec

Institut de la statistique du Québec

Institut de tourisme et d'hôtellerie du Québec

Institut national de santé publique du Québec

Investissement Québec

La Financière agricole du Québec

Musée d'Art contemporain de Montréal

Musée de la Civilisation

Musée national des beaux-arts du Québec

Office de la sécurité du revenu des chasseurs et piégeurs cris

Office des professions du Québec

Office Québec-Amériques pour la jeunesse

Office Québec-Monde pour la jeunesse

Régie de l'assurance maladie du Québec

Régie de l'énergie

Régie des installations olympiques

Régie du bâtiment du Québec

Régie du cinéma

Services Québec

Société de développement de la Baie-James

Société de développement des entreprises culturelles

Société de financement des infrastructures locales du Québec

Société de la Place des Arts de Montréal

Société de l'assurance automobile du Québec

Société de télédiffusion du Québec

Société des établissements de plein air du Québec

Société des parcs de sciences naturelles du Québec

Société des traversiers du Québec

Société d'habitation du Québec

Société du Centre des congrès de Québec

Société du Grand Théâtre de Québec

Société du Palais des congrès de Montréal

Société du parc industriel et portuaire de Bécancour

Société immobilière du Québec

Société nationale de l'amiante

Société québécoise d'assainissement des eaux

Société québécoise de récupération et de recyclage

Société québécoise d'information juridique

Tribunal administratif du Québec

## List of non-budget-funded bodies and special funds (cont.)

### Special funds

- Fonds d'aide à l'action communautaire autonome
- Fonds d'aide aux victimes d'actes criminels
- Fonds d'assistance financière pour certaines régions sinistrées
- Fonds de conservation et d'amélioration du réseau routier
- Fonds de développement du marché du travail
- Fonds de développement régional
- Fonds de financement
- Fonds de fourniture de biens ou de services du ministère de l'Emploi et de la Solidarité sociale
- Fonds de fourniture de biens ou de services du ministère du Revenu
- Fonds de gestion de l'équipement roulant
- Fonds de la sécurité routière
- Fonds de l'assurance médicaments
- Fonds de l'industrie des courses de chevaux
- Fonds de partenariat touristique
- Fonds de perception
- Fonds de soutien aux proches aidants
- Fonds des contributions des automobilistes au transport en commun
- Fonds des pensions alimentaires
- Fonds des registres du ministère de la Justice
- Fonds des services de police
- Fonds des technologies de l'information du Conseil du trésor
- Fonds des technologies de l'information du ministère de l'Emploi et de la Solidarité sociale
- Fonds des technologies de l'information du ministère du Revenu
- Fonds d'information foncière
- Fonds d'information géographique
- Fonds du centre financier de Montréal
- Fonds du patrimoine culturel québécois
- Fonds du patrimoine minier
- Fonds du service aérien gouvernemental
- Fonds forestier
- Fonds pour la promotion des saines habitudes de vie
- Fonds pour la vente de biens et services du ministère des Transports
- Fonds pour le développement des jeunes enfants
- Fonds pour le développement du sport et de l'activité physique
- Fonds québécois d'initiatives sociales
- Fonds relatif à la tempête de verglas
- Fonds vert (Green Fund)

### 3.2.2 Health and social services and education networks

The health and social services network is made up of 209 entities. These entities comprise 15 agencies and three regional authorities in the health and social services, as well as 191 public health and social services institutions.

The education network is made of up 131 entities, including 73 school boards, 48 CEGEPs and the Université du Québec and its nine branches.

As of fiscal 2009-2010, the public accounts have presented the revenue and expenditure of the networks and the assets and liabilities of their balance sheet line by line, whereas the previous budget essentially took into account the projected net financial results of the networks for the purpose of preparing the government's financial framework.

In the interests of improving consistency between the financial data published in the budget and those disseminated in the public accounts, this budget presents, for the first time, detailed prospective financial information on the networks.

In the March 2009 Budget, the government provided $120 million for 2009-2010 to cover any overruns that might be incurred. The present budget is adjusting this amount upward by $282 million to $402 million. This adjustment is due to, in particular, the effects of harmonizing the network's accounting policies with those of the government.

The deficits of the health and social services and education networks for 2010-2011 and 2011-2012 amount to $174 million and $133 million respectively after the measures under the plan to restore fiscal balance.

In cooperation with the Ministère de la Santé et des Services sociaux and the Ministère de l'Éducation, du Loisir et du Sport, the monitoring and budgetary control process for the networks has been improved. Other efforts will be deployed over the coming year to enhance the monitoring and budgetary control process for the entities that make up the networks.

Lastly, the government is taking advantage of this budget to reiterate its determination to substantially reduce operating deficits in the health and social services network. The government is thus asking this network to introduce a budget management framework focused on achieving greater efficiency in order to gradually eliminate the network's annual operating deficits. In exchange for attaining the fiscal balance targets, the goverment promises to gradually assume and repay the accumulated operating deficits of $1.6 billion as at March 31, 2008.

TABLE C.10

### Health and social services and education networks
### Net results

(millions of dollars)

| | 2010-2011 Budget$^P$ | | |
|---|---|---|---|
| | 2009-2010 | 2010-2011 | 2011-2012 |
| **Revenue** | | | |
| School property taxes | 1 453 | 1 467 | 1 483 |
| Revenue from users | 1 594 | 1 657 | 1 724 |
| Fees | 184 | 194 | 204 |
| Other | 1 824 | 1 887 | 2 013 |
| **Own-source revenue** | **5 055** | **5 205** | **5 424** |
| Revenue from entities in the reporting entity | 28 189 | 29 345 | 30 613 |
| Federal transfers | 260 | 282 | 286 |
| **Total revenue** | **33 504** | **34 832** | **36 323** |
| **Expenditure** | | | |
| Remuneration and operating expenses | – 32 920 | – 34 173 | – 35 585 |
| Debt service | – 786 | – 858 | – 921 |
| Accounting harmonization | – 200 | — | — |
| **Total expenditure** | **– 33 906** | **– 35 031** | **– 36 506** |
| **NET RESULTS BEFORE PLAN TO RESTORE FISCAL BALANCE** | **– 402** | **– 199** | **– 183** |
| Impact of the plan to restore fiscal balance | | 25 | 50 |
| **NET RESULTS** | **– 402** | **– 174** | **– 133** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

### 3.2.3 Generations Fund

The amount deposited in the Generations Fund is expected to reach $715 million for 2009-2010.

For 2010-2011 and 2011-2012, total deposits in the Generations Fund are expected to amount to $892 million and $972 million respectively. As a result, the book value of the Generations Fund will reach $4.5 billion as at March 31, 2012. Section G presents the results of and change in the Generations Fund in greater detail.

TABLE C.24

**Deposits in the Generations Fund**
(millions of dollars)

| | 2009-2010 Budget | | 2010-2011 Budget^P | | |
|---|---|---|---|---|---|
| | 2009-2010 | Adjustments | 2009-2010 | 2010-2011 | 2011-2012 |
| **Dedicated revenues** | | | | | |
| Water-power royalties | 647 | 11 | 658 | 687 | 706 |
| Unclaimed property | — | 2 | 2 | 2 | 2 |
| Investment income | 68 | – 13 | 55 | 203 | 264 |
| **TOTAL** | **715** | **—** | **715** | **892** | **972** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

## 4. CONSOLIDATED NET FINANCIAL REQUIREMENTS

The budgetary balance is presented on an accrual basis, with assets and liabilities being recognized, respectively, when they are acquired or incurred, regardless of when the corresponding funds are disbursed or received. Conversely, net surpluses or financial requirements represent the difference between the government's cash inflow and disbursements. This measure thus takes into account not only changes in the budgetary balance but also resources or requirements arising from the government's investments through the acquisition of fixed assets, through loans investments and advances, and through other activities such as paying accounts payable and collecting accounts receivable. The difference between the budgetary balance and net financial resources or requirements is recognized in non-budgetary transactions.

Moreover, for the first time, the government is presenting the non-budgetary transactions of the health and social services and education networks in detail. Previously, the government's investments in the networks were presented on a net basis[3] whereas, from now on, the networks' non-budgetary transactions will be detailed like those of the Consolidated Revenue Fund.

As a whole, consolidated net financial requirements stand at $7.0 billion in 2009-2010 and 2010-2011, and at $6.9 billion in 2011-2012.

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[3] The presentation of net financial requirements excluding the non-budgetary transactions of the health and social services and education networks is shown in Appendix 3.

TABLE C.25

## Consolidated net financial requirements[1]

(millions of dollars)

| | 2009-2010 Budget | | 2010-2011 Budget[P] | | |
|---|---|---|---|---|---|
| | 2009-2010 | Adjustments | 2009-2010 | 2010-2011 | 2011-2012 |
| Budgetary balance within the meaning of the *Balanced Budget Act* | – 3 946 | – 311 | – 4 257 | – 4 506 | – 2 900 |
| Deposit of dedicated revenues in the Generations Fund | 715 | — | 715 | 892 | 972 |
| **Total consolidated budgetary transactions** | **– 3 231** | **– 311** | **– 3 542** | **– 3 614** | **– 1 928** |
| **Consolidated non-budgetary transactions** | | | | | |
| Activities relating to investments, loans and advances | – 1 345 | 849 | – 496 | – 1 281 | – 1 205 |
| Activities relating to investment in fixed assets | – 3 304 | – 1 295 | – 4 599 | – 4 653 | – 4 917 |
| Net investment in the networks[3] | – 1 004 | 1 004 | — | — | — |
| Transactions relating to retirement plans and employee future benefits | 2 490 | – 80 | 2 410 | 2 667 | 2 323 |
| Change in other accounts (accounts payable, accounts receivable, reserves, etc.)[4] | 120 | – 923 | – 803 | – 98 | – 1 169 |
| **Total consolidated non-budgetary transactions** | **– 3 043** | **– 445** | **– 3 488** | **– 3 365** | **– 4 968** |
| **CONSOLIDATED NET FINANCIAL REQUIREMENTS** | **– 6 274** | **– 756** | **– 7 030** | **– 6 979** | **– 6 896** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] A negative entry indicates a financial requirement and a positive entry, a source of financing.

[2] The net financial requirements in the 2010-2011 Budget take into account the budgetary and non-budgetary transactions of the health and social services and education networks.

[3] With line-by-line consolidation of the health and social services and education networks, the item "net investment in the networks" no longer exists because it is now part of transactions between related entities.

[4] Including obligations stemming from public-private partnership agreements that have no effect on financial requirements.

The consolidated net financial requirements shown in the above table come from the following sources:

- The net financial requirements of the Consolidated Revenue Fund amount to $2.2 billion for 2009-2010, $3.0 billion for 2010-2011 and $2.1 billion for 2011-2012. These variations mainly reflect the change in the deficits forecast for the coming years and the capital funding granted to the Société générale de financement du Québec to provide assistance to businesses.

- The net financial requirements of non-budget-funded bodies and special funds amount to $3.6 billion for 2009-2010, $2.9 billion for 2010-2011 and $4.4 billion for 2011-2012. They have been calculated after eliminating transactions with the health and social services and education networks. These net financial requirements stem largely from infrastructure investments provided for by the Fonds de conservation et d'amélioration du réseau routier.
- The net financial requirements of the health and social services and education networks stand at $2.0 billion for 2009-2010 and 2010-2011, and at $1.4 billion for 2011-2012. These net financial requirements stem essentially from capital investments.
- Deposits in the Generations Fund amount to $715 million for 2009-2010, $892 million for 2010-2011 and $972 million for 2011-2012.

TABLE C.26

### Consolidated net financial requirements by entity[1]

(millions of dollars)

| | 2009-2010 Budget | | 2010-2011 Budget[P] | | |
|---|---|---|---|---|---|
| | **2009-2010** | **Adjustments** | **2009-2010** | **2010-2011** | **2011-2012** |
| Consolidated Revenue Fund | – 2 800 | 600 | – 2 200 | – 3 000 | – 2 100 |
| Non-budget-funded bodies and special funds | – 4 189 | 630 | – 3 559 | – 2 864 | – 4 359 |
| Health and social services and education networks | — | – 1 986 | – 1 986 | – 2 007 | – 1 409 |
| Deposits in the Generations Fund | 715 | — | 715 | 892 | 972 |
| **CONSOLIDATED NET FINANCIAL REQUIREMENTS** | **– 6 274** | **– 756** | **– 7 030** | **– 6 979** | **– 6 896** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] A negative entry indicates a financial requirement and a positive entry, a source of financing.

## 5. CONSOLIDATED NON-BUDGETARY TRANSACTIONS

Consolidated non-budgetary transactions consist of the non-budgetary transactions of the Consolidated Revenue Fund and those of consolidated entities. They are presented by activity:

- investments, loans and advances;
- capital expenditures;
- retirement plans and employee future benefits;
- other accounts.

Non-budgetary transactions related to the health and social services and education networks are being consolidated in these activities for the first time. Over the past two years, they have been shown separately under the item "net investment in the networks." The line-by-line consolidation of the networks' transactions takes into account changes in asset and liability items, including capital expenditures and debts. Therefore, network assets funded directly through financial institutions are added to the government's net financial requirements.

For 2009-2010, consolidated non-budgetary requirements stand at $3.5 billion, or $445 million less than forecast in the March 2009 Budget.

For 2010-2011 and 2011-2012, consolidated non-budgetary requirements stand at $3.4 billion and $5.0 billion respectively.

TABLE C.27

## Summary of consolidated non-budgetary transactions[1]

(millions of dollars)

|  | 2009-2010 Budget |  | 2010-2011 Budget[P,2] |  |  |
|---|---|---|---|---|---|
|  | 2009-2010 | Adjustments | 2009-2010 | 2010-2011 | 2011-2012 |
| **Consolidated Revenue Fund** |  |  |  |  |  |
| Investments, loans and advances | – 1 119 | 785 | – 334 | – 1 103 | – 856 |
| Capital expenditures | – 179 | – 65 | – 244 | – 266 | – 247 |
| Retirement plans and employee future benefits | 2 490 | – 80 | 2 410 | 2 667 | 2 323 |
| Other accounts | – 406 | 514 | 108 | 66 | – 413 |
| **Total** | **786** | **1 154** | **1 940** | **1 364** | **807** |
| **Consolidated entities** |  |  |  |  |  |
| Investments, loans and advances | – 226 | 64 | – 162 | – 178 | – 349 |
| Capital expenditures | – 3 125 | – 1 230 | – 4 355 | – 4 387 | – 4 670 |
| Net investment in the networks[3] | – 1 004 | 1 004 | — | — | — |
| Other accounts[4] | 526 | – 1 437 | – 911 | – 164 | – 756 |
| **Total** | **– 3 829** | **– 1 599** | **– 5 428** | **– 4 729** | **– 5 775** |
| **Consolidated non-budgetary transactions** |  |  |  |  |  |
| Investments, loans and advances | – 1 345 | 849 | – 496 | – 1 281 | – 1 205 |
| Capital expenditures | – 3 304 | – 1 295 | – 4 599 | – 4 653 | – 4 917 |
| Net investment in the networks[3] | – 1 004 | 1 004 | — | — | — |
| Retirement plans and employee future benefits | 2 490 | – 80 | 2 410 | 2 667 | 2 323 |
| Other accounts | 120 | – 923 | – 803 | – 98 | – 1 169 |
| **TOTAL CONSOLIDATED NON-BUDGETARY REQUIREMENTS** | **– 3 043** | **– 445** | **– 3 488** | **– 3 365** | **– 4 968** |

Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] A negative entry indicates a financial requirement and a positive entry, a source of financing.

[2] Line-by-line consolidation of network transactions requires taking into account the change in the various balance sheet items, including capital expenditures and debts. Therefore, assets funded through organizations outside the government's reporting entity are added to the government's net financial requirements.

[3] With line-by-line consolidation of the transactions of the health and social services and education networks, the activity "net investment in the networks" was allocated to the other non-budgetary transaction activities.

[4] Including obligations stemming from public-private partnership agreements that have no effect on financial requirements.

### Investments, loans and advances

Consolidated financial requirements for investments, loans and advances for 2009-2010 amount to $496 million. The forecasts for 2010-2011 and 2011-2012 stand at $1.3 billion and $1.2 billion respectively.

For 2009-2010, the investments, loans and advances of the Consolidated Revenue Fund show financial requirements of $334 million, or $785 million less than forecast in last year's budget. This change is due to, among other things, the downward adjustment from $625 million to $250 million in the capital funding granted to the Société générale de financement du Québec for implementing the assistance program for high-performance industries that are experiencing financial difficulties because of the economic situation. The Société générale de financement du Québec will be granted additional capital funding of $500 million in 2010-2011 and $50 million in 2011-2012. As a result, annual financial requirements for 2010-2011 and 2011-2012 will amount to $1.1 billion and $856 million respectively.

As regards non-budget-funded bodies and special funds, the financial requirements of $173 million for 2009-2010 arise essentially from investments, loans and advances attributable to Investissement Québec and the Green Fund.

TABLE C.28

**Consolidated non-budgetary transactions for investments, loans and advances**[1]

(millions of dollars)

| | 2009-2010 Budget | | 2010-2011 Budget^P | | |
|---|---|---|---|---|---|
| | 2009-2010 | Adjustments | 2009-2010 | 2010-2011 | 2011-2012 |
| Consolidated Revenue Fund | – 1 119 | 785 | – 334 | – 1 103 | – 856 |
| Non-budget-funded bodies and special funds[2] | – 226 | 53 | – 173 | – 175 | – 346 |
| Health and social services and education networks | — | 11 | 11 | – 3 | – 3 |
| **CONSOLIDATED NON-BUDGETARY TRANSACTIONS** | **– 1 345** | **849** | **– 496** | **– 1 281** | **– 1 205** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] A negative entry indicates a financial requirement and a positive entry, a source of financing.

[2] The revised data for 2009-2010 and those for subsequent years take into account adjustments arising from the line-by-line consolidation of the transactions of the health and social services and education networks.

## ❑ Capital expenditures

For 2009-2010, consolidated investments in fixed assets amount to $7.5 billion. Taking into account a depreciation expense of $2.9 billion for these capital expenditures, the financial requirements associated with them total $4.6 billion. The forecasts for 2010-2011 and 2011-2012 stand at $4.7 billion and $4.9 billion respectively.

TABLE C.29

### Capital investments and financial requirements[1]

(millions of dollars)

| | 2009-2010 Budget | | 2010-2011 Budget[P] | | |
|---|---|---|---|---|---|
| | 2009-2010 | Adjustments | 2009-2010 | 2010-2011 | 2011-2012 |
| **Consolidated Revenue Fund** | | | | | |
| Level of investment | – 436 | – 62 | – 498 | – 518 | – 510 |
| Depreciation | 257 | – 3 | 254 | 252 | 263 |
| **Financial requirements (capital expenditures)** | **– 179** | **– 65** | **– 244** | **– 266** | **– 247** |
| **Non-budget-funded bodies and special funds[2]** | | | | | |
| Level of investment | – 4 462 | – 356 | – 4 818 | – 4 928 | – 5 459 |
| Depreciation | 1 337 | 105 | 1 442 | 1 601 | 1 846 |
| **Financial requirements (capital expenditures)** | **– 3 125** | **– 251** | **– 3 376** | **– 3 327** | **– 3 613** |
| **Health and social services and education networks** | | | | | |
| Level of investment | — | – 2 231 | – 2 231 | – 2 392 | – 2 497 |
| Depreciation | — | 1 252 | 1 252 | 1 332 | 1 440 |
| **Financial requirements (capital expenditures)** | — | **– 979** | **– 979** | **– 1 060** | **– 1 057** |
| **CONSOLIDED** | | | | | |
| Level of investment | – 4 898 | – 2 649 | – 7 547 | – 7 838 | – 8 466 |
| Depreciation | 1 594 | 1 354 | 2 948 | 3 185 | 3 549 |
| **Financial requirements (capital expenditures)** | **– 3 304** | **– 1 295** | **– 4 599** | **– 4 653** | **– 4 917** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] A negative entry indicates a financial requirement and a positive entry, a source of financing.

[2] The revised data for 2009-2010 and those for subsequent years take into account adjustments arising from the line-by-line consolidation of the transactions of the health and social services and education networks.

The net financial requirements in respect of non-budget-funded bodies and special funds for 2009-2010 can be attributed mainly to road infrastructure investments of $3.6 billion financed by the Fonds de conservation et d'amélioration du réseau routier. These investments also explain the increase in financial requirements for 2010-2011 and 2011-2012.

In addition, investments of $2.2 billion are forecast for the networks' fixed assets in 2009-2010. Of this amount, $1.2 billion is for the health and social services network and $1.0 billion for the education network. Network funding comes for the most part from Financement-Québec, the Corporation d'hébergement du Québec and financial institutions.

### ☐ Retirement plans

For 2009-2010, the balance of non-budgetary transactions in regard to the retirement plans and employee future benefits is $2.4 billion, which reduces the government's financing needs.

For 2010-2011 and 2011-2012, the retirement plans and employee future benefits should help to reduce financing needs by $2.7 billion and $2.3 billion respectively.

### ☐ Other accounts

Net financial requirements for other accounts consist of a series of changes in assets and liabilities such as accounts receivable, accounts payable and deferred revenue.

Consolidated financial requirements for other accounts amount to $803 million in 2009-2010. For 2010-2011, other accounts require additional funding of $98 million and of $1.2 billion for 2011-2012.

# APPENDIX 1: INVESTMENTS

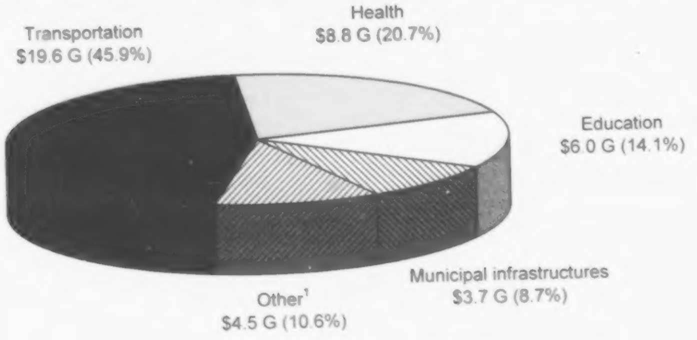
## ☐ 2009-2014 Québec Infrastructures Plan

Investments of $42.6 billion from 2009-2010 to 2014-2015 under the Québec Infrastructures Plan are distributed among the various sectors of government intervention:

- $19.6 billion in transportation infrastructures (road network, public transit and maritime infrastructures);
- $8.8 billion in health infrastructures;
- $6.0 billion in education infrastructures;
- $3.7 billion in municipal infrastructures;
- $4.5 billion in other sectors (culture, social housing, research, justice and public security, public dams, biomethanization and forest roads).

CHART C.7

**Breakdown of investments under the 2009-2014 Québec Infrastructures Plan by intervention sector**
(contribution from the Québec government, billions of dollars and per cent)



**TOTAL: $42.6 G**

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[1] Includes investments in social housing, culture, justice and public security, research, public dams, biomethanization and forest roads.

TABLE C.30

### Breakdown of investments under the 2009-2014 Québec Infrastructures Plan by intervention sector

(Contribution from the Québec government, millions of dollars)

| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | Total |
|---|---|---|---|---|---|---|
| Road network | 3 082.6 | 3 467.3 | 3 371.9 | 3 181.5 | 3 152.2 | **16 255.5** |
| Public transit | 839.2 | 734.6 | 588.3 | 352.7 | 257.3 | **2 772.1** |
| Maritime infrastructures | 7.4 | 119.1 | 142.9 | 123.4 | 133.4 | **526.2** |
| Health and social services | 1 818.1 | 1 804.5 | 1 894.1 | 1 685.2 | 1 644.7 | **8 846.6** |
| Education | 1 286.0 | 1 298.4 | 1 140.2 | 1 137.1 | 1 131.0 | **5 992.7** |
| Culture | 380.7 | 288.1 | 187.0 | 170.1 | 159.1 | **1 185.0** |
| Municipal infrastructures | 733.1 | 716.7 | 925.9 | 785.2 | 558.9 | **3 719.8** |
| Social housing | 236.7 | 240.4 | 302.5 | 253.8 | 130.5 | **1 163.9** |
| Research | 363.6 | 234.4 | 85.1 | 185.1 | 83.8 | **952.0** |
| Justice and public security | 157.9 | 193.6 | 241.8 | 230.7 | 206.6 | **1 030.6** |
| Other[1] | 26.0 | 44.5 | 30.5 | 26.0 | 68.0 | **195.0** |
| **TOTAL** | **8 931.3** | **9 141.6** | **8 910.2** | **8 130.8** | **7 525.5** | **42 639.4** |

[1] Public dams, biomethanization and forest roads.

## Breakdown by type of investment

These investments include funds allocated to maintaining assets and improving and replacing infrastructures, as well as completing projects started before the first five-year plan came into effect.

The investment budget for maintaining assets comprises the regular budget needed to meet recognized asset maintenance standards (ranging from 1% to 3% of assets' replacement value, depending on the sector) and investments allocated to eliminating the infrastructure maintenance deficit over 15 years as prescribed by the *Act to promote the maintenance and renewal of public infrastructures*.

CHART C.8

**Breakdown of investments under the 2009-2014 Québec Infrastructures Plan by type of investment**
(contribution from the Québec government, billions of dollars and per cent)

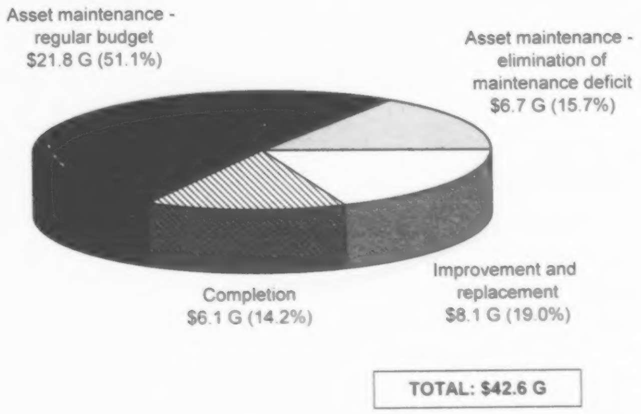

TABLE C.31

### Breakdown of investments under the 2009-2014 Québec Infrastructures Plan by intervention sector and type of investment

(contribution from the Québec government, millions of dollars)

| | Asset maintenance | | | | |
|---|---|---|---|---|---|
| | Regular budget | Elimination of maintenance deficit | Improvement and replacement | Project completion | Total |
| Road network | 9 186.4 | 1 501.4 | 2 001.7 | 3 566.0 | **16 255.5** |
| Public transit | 1 353.7 | 557.2 | 335.1 | 526.1 | **2 772.1** |
| Maritime infrastructures | | | 526.2 | | **526.2** |
| Health and social services | 4 350.3 | 1 270.6 | 2 316.5 | 909.2 | **8 846.6** |
| Education | 4 339.5 | 1 167.5 | 451.3 | 34.4 | **5 992.7** |
| Culture | 623.3 | 259.1 | 148.0 | 154.6 | **1 185.0** |
| Municipal infrastructures | 1 194.8 | 1 654.8 | 288.0 | 582.2 | **3 719.8** |
| Social housing | 261.8 | 286.6 | 331.3 | 284.2 | **1 163.9** |
| Research | 18.9 | | 933.1 | | **952.0** |
| Justice and public security | 320.4 | | 710.2 | | **1 030.6** |
| Other[1] | 150.0 | | 45.0 | | **195.0** |
| **TOTAL** | **21 799.1** | **6 697.2** | **8 086.4** | **6 056.7** | **42 639.4** |

[1] Public dams, biomethanization and forest roads.

# APPENDIX 2: INVESTMENT PROJECTS BY GOVERNMENT ENTERPRISES

Certain government enterprises will continue to make substantial investments that will contribute to Québec's economic recovery. In 2010-2011, investments by these corporations will increase by over $620 million compared with 2009-2010 and reach nearly $5.2 billion. They will climb again in 2011-2012, to nearly $5.3 billion.

## ☐ Hydro-Québec

Hydro-Québec alone will boost its investments by over $500 million in 2010 compared with 2009, to which will be added $150 million in 2011.

The pace of the La Romaine project, launched in 2009, will be doubled, and the funding allocated to this project will reach over $400 million in 2010 and $515 million in 2011. As well, close to $1 billion will be allocated in 2010 to the Eastmain-1-A/Rupert and La Sarcelle project, which will be completed in 2012. In addition to making a significant contribution to Québec's economy, these two projects will play an important role in securing Québec's energy future.

Renovation work on the Gentilly power station will also generate major economic spinoffs, as more than $400 million will be devoted to this project in 2010 and 2011.

Substantial amounts will also be allocated to boost Québec's energy efficiency, with spending in this regard amounting to nearly $300 million in 2010 and $325 million in 2011.

Hydro-Québec's other projects will also have significant spinoffs in Québec. Overall, the investments devoted to these projects will reach $2.6 billion in 2010 and over $2.7 billion in 2011.

## ☐ Loto-Québec and Société des alcools du Québec

Loto-Québec and the Société des alcools du Québec will also increase their investments through various projects.

Loto-Québec's investments will reach $251 million in 2010-2011 and slightly more than $239 million in 2011-2012. Of these amounts, close to $102 million will be allocated to the Casino de Montréal renovation project in 2010-2011 and nearly $95 million will be invested in the project in 2011-2012.

The Société des alcools du Québec will increase its investments by nearly $64 million in 2010-2011, compared with nearly $46 million in 2009-2010. These investments will be devoted mainly to developing or expanding its outlets, to expanding the Québec City distribution centre and to the Société's computer ressources. The Société plans to invest slightly over $53 million in 2011-2012.

TABLE C.32

### Projected investment by government enterprises

(millions of dollars)

| | 2009-2010 | 2010-2011 | 2011-2012 |
|---|---|---|---|
| **HYDRO-QUÉBEC**[1] | | | |
| **Major projects** | | | |
| Eastmain 1-A/Rupert and La Sarcelle | 1 161.0 | 940.0 | 518.0 |
| Gentilly-2 – repair project | 271.0 | 422.0 | 420.0 |
| La Romaine complex | 201.0 | 407.0 | 515.0 |
| Transmission integration – Wind turbines (990 MW and 2 000 MW) | 102.0 | 115.0 | 477.0 |
| Interconnection with Ontario (Phases 1 and 2) | 184.0 | 55.0 | — |
| Global Energy Efficiency Plan | 257.0 | 299.0 | 324.0 |
| **Subtotal – Major projects** | **2 176.0** | **2 238.0** | **2 254.0** |
| Other projects | 2 164.0 | 2 609.0 | 2 743.0 |
| **Total – Hydro-Québec** | **4 340.0** | **4 847.0** | **4 997.0** |
| **LOTO-QUÉBEC** | | | |
| Casino de Montréal | 27.6 | 101.9 | 94.8 |
| Other projects | 127.3 | 149.1 | 144.5 |
| **Total – Loto-Québec** | **154.9** | **251.0** | **239.3** |
| **SOCIÉTÉ DES ALCOOLS DU QUÉBEC** | | | |
| Outlet network | 16.0 | 15.4 | 15.5 |
| Other projects | 29.9 | 48.5[2] | 37.6 |
| **Total – Société des alcools du Québec** | **45.9** | **63.9** | **53.1** |
| **TOTAL INVESTMENTS** | **4 540.8** | **5 161.9** | **5 289.4** |

[1] For the fiscal year ending December 31.

[2] Amount including the expansion of the Québec City distribution centre ($14 million).

# APPENDIX 3: PRESENTATION OF CONSOLIDATED FINANCIAL REQUIREMENTS BEFORE LINE-BY-LINE CONSOLIDATION OF THE HEALTH AND SOCIAL SERVICES AND EDUCATION NETWORKS

TABLE C.33

**Consolidated net financial requirements**[1]
(millions of dollars)

| | **2009-2010 Budget** | | **2010-2011 Budget**P | | |
|---|---|---|---|---|---|
| | **2009-2010** | **Adjustments** | **2009-2010** | **2010-2011** | **2011-2012** |
| Budgetary balance within the meaning of the *Balanced Budget Act* | – 3 946 | – 311 | – 4 257 | – 4 506 | – 2 900 |
| Deposit of dedicated revenues in the Generations Fund | 715 | — | 715 | 892 | 972 |
| **Total consolidated budgetary transactions** | **– 3 231** | **– 311** | **– 3 542** | **– 3 614** | **– 1 928** |
| **Consolidated non-budgetary transactions** | | | | | |
| Activities relating to investments, loans and advances | – 1 345 | 838 | – 507 | – 1 278 | – 1 202 |
| Activities relating to investment in fixed assets | – 3 304 | – 316 | – 3 620 | – 3 593 | – 3 860 |
| Net investment in the networks[2] | – 1 004 | – 828 | – 1 832 | – 2 402 | – 1 305 |
| Transactions relating to retirement plans and employee future benefits | 2 490 | – 80 | 2 410 | 2 667 | 2 323 |
| Change in other accounts (accounts payable, accounts receivable, reserves, etc.)[3] | 120 | – 307 | – 187 | 672 | – 953 |
| **Total consolidated non-budgetary transactions** | **– 3 043** | **– 693** | **– 3 736** | **– 3 934** | **– 4 997** |
| **CONSOLIDATED NET FINANCIAL REQUIREMENTS** | **– 6 274** | **– 1 004** | **– 7 278** | **– 7 548** | **– 6 925** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] A negative entry indicates a financial requirement and a positive entry, a source of financing.

[2] The item "net investment in the networks" has not been allocated to other items such as investments, loans and advances, capital expenditures, and other accounts since line-by-line consolidation has not been done for the networks.

[3] Including obligations stemming from public-private partnership agreements that have no effect on financial requirements.

# Section D

## Debt, Financing and Debt Management

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# 1. DEBT

This section presents data on the Québec government's debt and compares the indebtedness of the Canadian provinces.

Several concepts of debt can be used to measure a government's indebtedness. The following table presents data on the Québec government's debt according to the two main concepts the government employs.

TABLE D.1

**Debt of the Québec government as at March 31**
(millions of dollars)

| | 2009 | 2010P | 2011P | 2012P | 2013P | 2014P | 2015P |
|---|---|---|---|---|---|---|---|
| **GROSS DEBT[1]** | **151 385** | **160 117** | **170 599** | **180 084** | **186 490** | **189 428** | **192 169** |
| *As a % of GDP* | *50.1* | *53.2* | *54.5* | *55.1* | *54.6* | *53.3* | *52.0* |
| Less: Financial assets, net of other liabilities | – 22 159[2] | – 17 270[3] | – 18 143 | – 20 535 | – 22 453 | – 22 787 | – 26 247 |
| Less: Non-financial assets | – 30 767 | – 36 219 | – 42 214 | – 47 379 | – 51 728 | – 55 455 | – 56 278 |
| **DEBT REPRESENTING ACCUMULATED DEFICITS** | **98 459[4]** | **106 628[3]** | **110 242** | **112 170** | **112 309** | **111 186** | **109 644** |
| ***As a % of GDP*** | ***32.6*** | ***35.4*** | ***35.2*** | ***34.3*** | ***3[illegible]*** | ***31.3*** | ***29.7*** |

P: Preliminary results for 2010 and forecasts for subsequent years.

[1] Excludes pre-financing.

[2] Includes the balance of the stabilization reserve.

[3] Includes the restatement of $3 758 million stemming from a change made in Hydro-Québec's accounting policies in 2010 for the purpose of complying with IFRS. This change reduces the value of the government's participation in Hydro-Québec and increases the debt representing accumulated deficits. Also includes the restatement of $869 million arising from the implementation of line-by-line recording of the results of institutions in the health and social services and education networks, as required by the new CICA accounting standards established in 2009-2010.

[4] After taking the stabilization reserve into account.

## 1.1 Debt representing accumulated deficits

Debt representing accumulated deficits is a simple concept that reflects the financial position of a government well, since it takes all of its liabilities and assets into account. The federal government and the governments of Ontario and Alberta use debt representing accumulated deficits as a measure of indebtedness in their budget documents.

The debt representing accumulated deficits corresponds to the difference between the government's liabilities and its financial and non-financial assets as a whole. The debt representing accumulated deficits is calculated by subtracting financial assets, net of other liabilities, as well as non-financial assets from the gross debt.

Preliminary results show that the debt representing accumulated deficits should amount to $106 628 million as at March 31, 2010, or 35.4% of gross domestic product (GDP).

The debt representing accumulated deficits as at March 31, 2010 has been adjusted to take into account a change made by Hydro-Québec in its accounting policies in early 2010 for the purpose of complying with International Financial Reporting Standards (IFRS). All entities subject to public accountability and government enterprises will have to apply IFRS as of January 1, 2011. These standards differ significantly from those currently in effect, particularly with regard to the accounting method for capital expenditures. This change in accounting policies reduces Hydro-Québec's retained earnings balance by $3 758 million. Therefore, the value of the government's participation in Hydro-Québec is reduced by the same amount. This change thus increases the debt representing accumulated deficits by $3 758 million as at March 31, 2010, but does not affect the government's gross debt.

The debt representing accumulated deficits as at March 31, 2010 has also been restated by $869 million. This restatement arises from the implementation of line by line recording of the results of institutions in the health and social services and education networks, as required by the new CICA accounting standards established in 2009-2010.

Over the coming years, the debt representing accumulated deficits is expected to increase by $3.0 billion. This increase is due to the deficits of $8.6 billion that will be posted from 2010-2011 to 2012-2013 but that will be offset in part by the $5.6-billion increase in the Generations Fund. Note that the debt representing accumulated deficits will stop rising once the budget is balanced in 2013-2014. It will then decline year after year at the rate of increase of the Generations Fund.

TABLE D.2

### Factors responsible for growth in the debt representing accumulated deficits

(millions of dollars)

| | Debt, beginning of year | Budgetary deficit | Generations Fund | Restatements | Total change | Debt, end of year | As a % of GDP |
|---|---|---|---|---|---|---|---|
| 2009-2010P | 98 459 | 4 257 | – 715 | 4 627[1] | 8 169 | 106 628 | 35.4 |
| 2010-2011P | 106 628 | 4 506 | – 892 | — | 3 614 | 110 242 | 35.2 |
| 2011-2012P | 110 242 | 2 900 | – 972 | — | 1 928 | 112 170 | 34.3 |
| 2012-2013P | 112 170 | 1 200 | – 1 061 | — | 139 | 112 309 | 32.9 |
| 2013-2014P | 112 309 | — | – 1 123 | — | – 1 123 | 111 186 | 31.3 |
| 2014-2015P | 111 186 | — | – 1 542 | — | – 1 542 | 109 644 | 29.7 |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] Includes the restatement stemming from the change made in Hydro-Québec's accounting policies in 2010 for the purpose of complying with IFRS and the restatement arising from the implementation of line-by-line recording of the results of institutions in the health and social services and education networks, as required by the new CICA accounting standards established in 2009-2010.

## 1.2 Gross debt

The government's gross debt corresponds to the sum of the debt contracted on financial markets and the net liability for the retirement plans and for employee future benefits of public and parapublic sector employees, minus the balance of the Generations Fund.

Preliminary results show that, as at March 31, 2010, the gross debt should stand at $160 117 million, or 53.2% of GDP. As at March 31, 2015, the gross debt is expected to be $192 169 million, or 52.0% of GDP.

TABLE D.3

**Gross debt as at March 31**
(millions of dollars)

| | 2009 | 2010$^{P}$ | 2011$^{P}$ | 2012$^{P}$ | 2013$^{P}$ | 2014$^{P}$ | 2015$^{P}$ |
|---|---|---|---|---|---|---|---|
| Direct debt of the Consolidated Revenue Fund[1] | 87 043 | 90 065 | 95 292 | 99 399 | 101 375 | 100 922 | 101 121 |
| Debt of consolidated entities[2] | 37 586 | 43 956 | 49 569 | 55 546 | 60 685 | 64 543 | 68 255 |
| Consolidated direct debt[3] | 124 629 | 134 021 | 144 861 | 154 945 | 162 060 | 165 465 | 169 376 |
| Plus: Net retirement plans liability | 28 649 | 28 763 | 29 297 | 29 670 | 30 022 | 30 678 | 31 050 |
| Plus: Net employee future benefits liability | 59 | — | — | — | — | — | — |
| Less: Generations Fund | – 1 952 | – 2 667 | – 3 559 | – 4 531 | – 5 592 | – 6 715 | – 8 257 |
| **GROSS DEBT** | **151 385** | **160 117** | **170 599** | **180 084** | **186 490** | **189 428** | **192 169** |
| ***As a % of GDP*** | **50.1** | **53.2** | **54.5** | **55.1** | **54.6** | **53.3** | **52.0** |

P: Preliminary results for 2010 and forecasts for subsequent years.
[1] Excludes pre-financing.
[2] Does not take into account the debt of institutions in the health and social services and education networks contracted in their own name.
[3] The consolidated direct debt represents the debt that has been contracted on financial markets.

The consolidated direct debt consists of the direct debt of the Consolidated Revenue Fund and the direct debt of entities whose results are consolidated line by line with those of the government. The main consolidated entities are Financement-Québec, the Fonds de conservation et d'amélioration du réseau routier, the Corporation d'hébergement du Québec, the Société québécoise d'assainissement des eaux, the Société immobilière du Québec, Investissement Québec, the Immobilière SHQ, the Agence métropolitaine de transport and the Société du Palais des congrès de Montréal. As at March 31, 2010, the consolidated direct debt is expected to total $134 021 million.

The net retirement plans liability represents the retirement plans liability minus the balance of the Retirement Plans Sinking Fund (RPSF), an asset established that can be used to pay the retirement benefits of public and parapublic sector employees. As at March 31, 2010, the net retirement plans liability should amount to $28 763 million.

The net liability for employee future benefits consists of the government's commitments for accumulated sick leave and the survivor's pension plan, minus assets constituted in regard to these commitments. As at March 31, 2010, the net employee future benefits liability should be nil, since assets will be equal to liabilities.

As at March 31, 2010, the sums accumulated in the Generations Fund are expected to amount to $2 667 million.

### 1.2.1 . Net retirement plans liability

The net retirement plans liability is calculated by subtracting the balance of the RPSF from the retirement plans liability.

The liability for the retirement plans represents the present value of the retirement benefits that the government will pay to public and parapublic sector employees, taking into account the conditions of their plans and their years of service. This liability should stand at $66 961 million as at March 31, 2010.

The government created the RPSF in 1993. As at March 31, 2010, the book value of the RPSF is expected to be $38 198 million.

The net liability for the retirement plans should total $28 763 million as at March 31, 2010.

TABLE D.4

**Net retirement plans liability as at March 31, 2010$^P$**
(millions of dollars)

| | |
|---|---|
| **Retirement plans liability:** | |
| Government and Public Employees Retirement Plan (RREGOP) | 37 332 |
| Pension Plan of Management Personnel (PPMP) | 8 458 |
| Other plans | 21 171 |
| **Subtotal** | **66 961** |
| Less: Retirement Plans Sinking Fund | – 38 198 |
| **NET RETIREMENT PLANS LIABILITY** | **28 763** |

P: Preliminary results.

## 1.2.2 Net employee future benefits liability

The government records under its debt the value of its commitments regarding future benefits programs for its employees, namely, accumulated sick leave, which is payable notably when an employee retires, and pensions paid to the survivors of a government employee. These programs give rise to long-term obligations whose costs are covered in full by the government.

Since the December 2007 accounting reform, an actuarial valuation is done of future employee benefits and, like the liability for the retirement plans, these benefits are included in the government's gross debt. Previously, employee future benefits were entered in the government's accounts payable and the Survivor's Pension Plan Fund was entered under long-term investments.

In addition, as part of the December 2007 accounting reform, the government undertook to create the Accumulated Sick Leave Fund. This fund was created in October 2008. The sums accumulated in this new fund are subtracted from the liability for employee future benefits.

The balance of the net employee future benefits liability is expected to be nil as at March 31, 2010.

TABLE D.5

### Net employee future benefits liability as at March 31, 2010$^P$

(millions of dollars)

| | |
|---|---|
| Accumulated sick leave | 703 |
| Survivor's pension plan | 405 |
| Less: Accumulated Sick Leave Fund | – 657 |
| Survivor's Pension Plan Fund | – 451 |
| **NET EMPLOYEE FUTURE BENEFITS LIABILITY** | — |

P: Preliminary results.

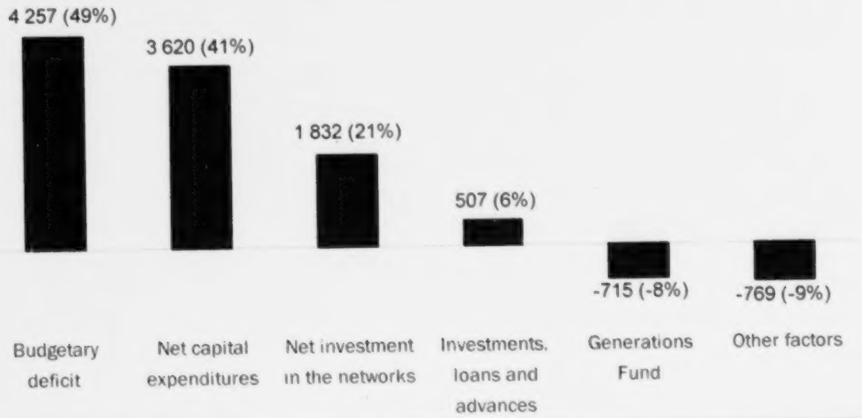
## 1.2.3 Change in gross debt in 2009-2010

In 2009-2010, the government's gross debt should increase by $8 732 million.

CHART D.1

### Factors responsible for growth in the gross debt in 2009-2010

(millions of dollars)



The gross debt continues to rise for the following reasons:

- The deficit amounts to $4 257 million.

- The government makes investments in fixed assets (e.g. roads) that require borrowings. When these capital expenditures are made, they are posted to the government's balance sheet. Subsequently, they are gradually recorded as expenditures based on the useful life of the assets concerned. In 2009-2010, net capital expenditures should cause the gross debt to increase by $3 620 million.

- Net investments in the health and social services and education networks, which include loans made by Financement-Québec and the Corporation d'hébergement du Québec to network institutions to fund their capital expenditures, should raise the gross debt by $1 832 million in 2009-2010.

- The government makes investments in its corporations through advances and direct capital outlays or by allowing these corporations to keep part of their earnings to finance their own investments.

  For example, Hydro-Québec pays 75% of its net earnings[1] as dividends to the government and keeps. 25% to fund its own investments, particularly hydroelectric dams. The portion of earnings that the government is leaving Hydro-Québec in 2009-2010 ($632 million) constitutes an investment by the government in Hydro-Québec, which creates a financial requirement for the government and thus leads to an increase in the gross debt.

  In addition, the government invested $250 million in the Société générale de financement. This investment is part of the $1 000-million contribution announced in the January 2009 Economic Statement in order to stimulate investment in Québec businesses.

  Overall, the government's investments, loans and advances should lead to a $507-million increase in the gross debt in 2009-2010. This amount includes the withdrawal of the balance of the stabilization reserve that was deposited with the Caisse de dépôt et placement du Québec ($295 million).

- Changes in some of the government's other asset and liability items, such as accounts payable and accounts receivable, should lower the gross debt by $769 million in 2009-2010.

- Lastly, deposits in the Generations Fund should reduce the debt by $715 million in 2009-2010.

---

[1] The amount of the dividend is calculated according to section 15.2 of the *Act respecting Hydro-Québec*, which stipulates that:

15.2 "The distributable surplus for a particular financial period is equal to 75% of the total of the net operating income of the Company and of its net investment income for the same period, less the gross interest expenditure for the same period..."

The following table shows how the government's gross debt has changed since March 31, 1998. The data for years prior to the 2007 accounting reform have been restated to make them comparable with those following the reform, i.e. for 2006-2007 and subsequent years.

TABLE D.6

### Growth factors of the Québec government's gross debt

(millions of dollars)

| | Debt, beginning of year | Budgetary deficit (surplus)[1] | Investments, loans and advances | Net investment in the networks[2] | Net capital expenditures[3] | Other factors[4] | Generations Fund[5] | Total change | Debt, end of year[6] | As a % of GDP |
|---|---|---|---|---|---|---|---|---|---|---|
| 1998-1999 | 110 900 | – 126 | 1 312 | 761 | 396 | 1 476 | | 3 819 | 114 719 | 58.5 |
| 1999-2000 | 114 719 | – 7 | 1 989 | 122 | 200 | – 1 014 | | 1 290 | 116 009 | 55.0 |
| 2000-2001 | 116 009 | – 427 | 1 701 | 841 | 578 | 1 029 | | 3 722 | 119 731 | 53.2 |
| 2001-2002 | 119 731 | – 22 | 1 248 | 934 | 1 199 | – 25 | | 3 334 | 123 065 | 53.1 |
| 2002-2003 | 123 065 | 728 | 1 921 | 631 | 1 706 | 183 | | 5 169 | 128 234 | 53.1 |
| 2003-2004 | 128 234 | 358 | 1 367 | 560 | 1 186 | 597 | | 4 068 | 132 302 | 52.8 |
| 2004-2005 | 132 302 | 664 | 1 303 | 1 486 | 1 006 | – 882 | | 3 577 | 135 879 | 51.7 |
| 2005-2006 | 135 879 | – 37 | 1 488 | 1 013 | 1 179 | – 815 | | 2 828 | 138 707 | 51.0 |
| 2006-2007 | 138 707 | – 109 | 2 213 | 1 002 | 1 177 | 1 018 | – 584 | 4 717 | 143 424 | 50.8 |
| 2007-2008 | 143 424 | — | 2 658 | 487 | 1 457 | 774 | – 649 | 4 727 | 148 151 | 49.8 |
| 2008-2009 | 148 151 | — | 1 086 | 622 | 2 297 | – 52 | – 719 | 3 234 | 151 385 | 50.1 |
| 2009-2010[P] | 151 385 | 4 257 | 507 | 1 832 | 3 620 | – 769 | – 715 | 8 732 | 160 117 | 53.2 |
| 2010-2011[P] | 160 117 | 4 506 | 1 278 | 2 402 | 3 593 | – 405 | – 892 | 10 482 | 170 599 | 54.5 |
| 2011-2012[P] | 170 599 | 2 900 | 1 202 | 1 305 | 3 860 | 1 190 | – 972 | 9 485 | 180 084 | 55.1 |
| 2012-2013[P] | 180 084 | 1 200 | 970 | 1 202 | 3 147 | 948 | – 1 061 | 6 406 | 186 490 | 54.6 |
| 2013-2014[P] | 186 490 | — | 630 | 909 | 2 818 | – 296 | – 1 123 | 2 938 | 189 428 | 53.3 |
| 2014-2015[P] | 189 428 | — | 1 024 | 823 | 2 502 | – 66 | – 1 542 | 2 741 | 192 169 | 52.0 |

Note: Gross debt figures prior to 2006-2007 have been restated to reflect the impacts of the government's accounting reform in December 2007. The purpose of this restatement was to obtain comparable debt levels over a long period. Moreover, once line-by-line recording of the results of institutions in the health and social services and education networks is completed, gross debt data will be restated. A positive entry indicates an increase in the debt and a negative entry, a decrease.

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] The budgetary balance prior to 2006-2007 could not be restated to reflect the impacts of the December 2007 government accounting reform because information on a comparable basis is not available.

[2] Includes mainly loans by Financement-Québec and the Corporation d'hébergement du Québec to institutions in the health and social services and education networks. As of 2006-2007, the net investment in the networks also includes the change in the accumulated deficits of network institutions.

[3] Corresponds to investments in fixed assets made during the year less the yearly depreciation expenditure. Includes investments made in the course of private-public partnership agreements.

[4] Includes in particular the change in "Other accounts," such as accounts receivable and accounts payable, as well as the change in the value of the debt in foreign currency.

[5] Represents the increase in the balance of the Generations Fund during the fiscal year stemming from deposits in the fund and investment income.

[6] Excludes pre-financing.

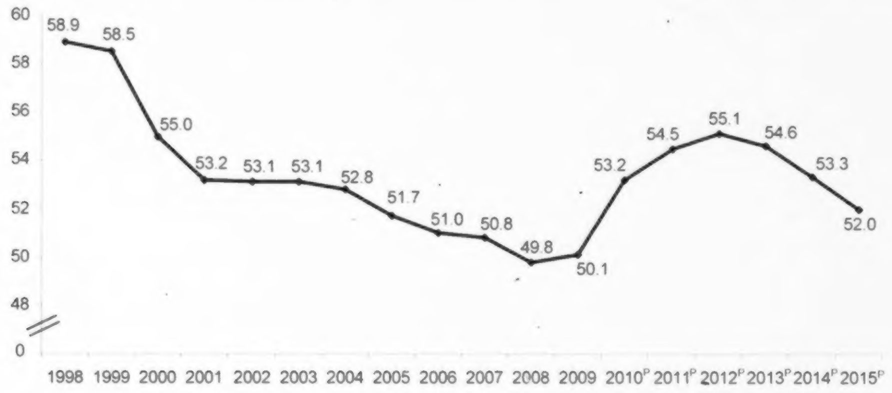
## 1.2.4 Debt burden

One way to measure the extent of the government's indebtedness is to compare its debt to the size of the economy, i.e. gross domestic product (GDP). The debt/GDP ratio is then calculated. GDP represents the total value of goods and services produced in an economy during a given period. It is the source of the revenue the government collects to fund its activities, including payment of debt service. The comparison of the government's debt to GDP is similar, for example, to the case of a person who wants to borrow to buy a house. The amount of the person's debt (mortgage, car loan, etc.) is compared to his or her income to assess his or her level of indebtedness.

Since March 31, 1998, the Québec government's gross debt/GDP ratio has fallen significantly. While gross debt was equivalent to 58.9% of GDP as at March 31, 1998, this percentage stood at 50.1% as at March 31, 2009. The ratio is expected to rise to 55.1% as at March 31, 2012, in particular because of the forecast deficits and the economic situation. The gross debt/GDP ratio should then decline to 52.0% as at March 31, 2015.

CHART D.2

**Gross debt[1] as at March 31**
(as a percentage of GDP)



P: Preliminary results for 2010 and forecasts for subsequent years.
[1] Excludes pre-financing.

## 1.2.5 New debt reduction objectives

The Minister of Finance announced the creation of the Generations Fund in the March 23, 2006 Budget Speech. The government deposits certain revenues in the fund, which will be used later to pay down the debt.

The goal in establishing the fund was to ensure that the government's total debt would represent 25% of GDP in 2025-2026. This objective was enshrined in the *Act to reduce the debt and establish the Generations Fund*, adopted on June 15, 2006. The objectives set in the Act concern the government's total debt, the debt concept used for the purposes of the government reporting entity in effect at the time the Act was passed.

In December 2007, the government carried out a major accounting reform. In particular, this reform broadened the reporting entity to include institutions in the health and social services networks and most institutions in the education network. A new debt concept, gross debt, was created at the time to reflect the changes made to the reporting entity. The accounting reform added $21 billion in debt, or the equivalent of 7 percentage points of GDP. Previously, this additional amount of debt was included almost in its entirety in the debt of the other components of Québec's public sector.

TABLE D.7

**Total debt and gross debt of the Québec government as at March 31, 2007**
(millions of dollars)

| | |
|---|---|
| **TOTAL DEBT FOR THE PURPOSES OF THE *ACT TO REDUCE THE DEBT AND ESTABLISH THE GENERATIONS FUND*[1]** | **122 575** |
| ***As a % of GDP*** | ***43.4*** |
| Plus: Debt of Financement-Québec | 12 073 |
| Debt of the Corporation d'hébergement du Québec and other entities | 3 560 |
| Debt of the Société québécoise d'assainissement des eaux | 2 522 |
| Debt of Immobilière SHQ | 1 942 |
| Net employee future benefits liability | 752 |
| Subtotal | 20 849 |
| **GROSS DEBT[1]** | **143 424** |
| ***As a % of GDP*** | ***50.8*** |

[1] Excludes pre-financing.

In addition, the recession will have left budgetary deficits totalling $12 863 million from 2009-2010 to 2012-2013, causing the debt to rise.

Accordingly, as provided for in last year's budget, the Generations Fund legislation will be amended to revise the debt reduction objectives.

The government is determined to reduce Québec's indebtedness so as to ensure greater intergenerational fairness. To that end, additional deposits will be made in the Generations Fund starting in fiscal 2014-2015, that is, once fiscal balance has been restored. Revenue generated by the increase in the price of heritage pool electricity will be paid into the Generations Fund.

In recent years, discussions on the debt have highlighted the distinction between "good debt" and "bad debt".

Good debt is debt that is contracted to acquire an asset: for example, to build a road, a school or a hospital. Bad debt is debt that does not correspond to any asset. This is the debt that needs to be addressed first.

Debt representing accumulated deficits, i.e. bad debt, is expected to amount to $106 628 million, or 35.4% of GDP, as at March 31, 2010.

The government's first objective is to reduce this ratio by half to 17% in 2025-2026. This is a maximum level.

TABLE D.8

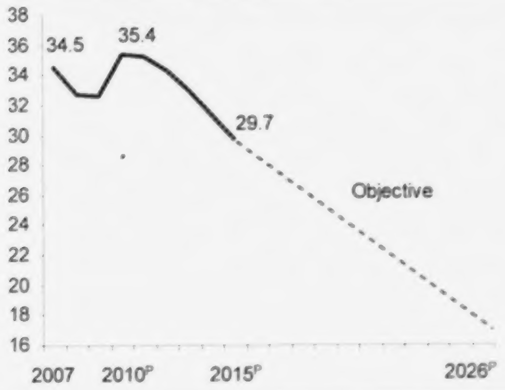
**New debt reduction objectives**
(as a percentage of GDP)

| | **March 31, 2026** |
|---|---|
| Debt representing accumulated deficits | 17 |
| Gross debt | 45 |

In addition, another objective will be set for the gross debt. As at March 31, 2010, this debt should stand at $160 117 million, or 53.2% of GDP. This ratio is forecast to reach a maximum of 55.1% of GDP in 2011-2012 and to begin falling thereafter. The government's objective is to bring the gross debt/GDP ratio down to 45% in 2025-2026. Once again, this is a maximum level.

CHART D.3

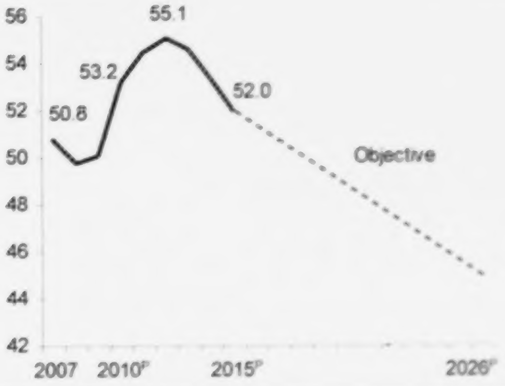
**Debt representing accumulated deficits**
(as a percentage of GDP)



P: Preliminary results for 2010, forecasts for 2011 to 2015 and projections for subsequent years.

CHART D.4

**Gross debt**[1]
(as a percentage of GDP )



P: Preliminary results for 2010, forecasts for 2011 to 2015 and projections for subsequent years.

1 Excludes pre-financing.

## 1.3 Public sector debt

Public sector debt includes the government's gross debt as well as the debt of the health and social services and education networks, Hydro-Québec, municipalities and other government enterprises. This debt has served notably to finance public infrastructures, such as roads, schools, hospitals, hydroelectric dams and water treatment plants.

Preliminary results show that, as at March 31, 2010, Québec's public sector debt should stand at $218 489 million, or 72.6% of GDP. These figures must be put into perspective for they do not take into account the economic value of certain assets held by the government, such as Hydro-Québec, the Société des alcools and Loto-Québec.

TABLE D.9

**Public sector debt as at March 31**
(millions of dollars)

| | **2007** | **2008** | **2009** | **2010P** |
|---|---|---|---|---|
| Government's gross debt[1] | 143 424 | 148 151 | 151 385 | 160 117 |
| Hydro-Québec | 32 674 | 32 399 | 36 668 | 36 803 |
| Municipalities[2] | 16 409 | 17 321 | 18 639 | 19 897 |
| Health and social services and education networks[3] | 2 023 | 1 552 | 931 | 974 |
| Other government enterprises[4] | 56 | 82 | 434 | 698 |
| **PUBLIC SECTOR DEBT** | **194 586** | **199 505** | **208 057** | **218 489** |
| ***As a % of GDP*** | ***68.9*** | ***67.1*** | ***68.8*** | ***72.6*** |

P: Preliminary results.

[1] Excludes pre-financing.

[2] Corresponds to the long-term debt contracted by municipalities in their own name. Part of this debt is subsidized by the government ($2 846 million as at March 31, 2010).

[3] Corresponds to the long-term debt contracted by network institutions in their own name, for which the government subsidizes the debt service through transfers for repaying the principal and paying the interest on borrowings.

[4] Excludes the debt of enterprises that is guaranteed by a third party or secured by assets such as inventories and accounts receivable.

## 1.4 Comparison of the debt of Canadian provinces

It is worthwhile comparing the concepts of debt used by the Québec government with those used by other governments in Canada.

An analysis of the budget documents of the federal and provincial governments shows that the concepts of debt used to assess financial position vary widely from province to province.

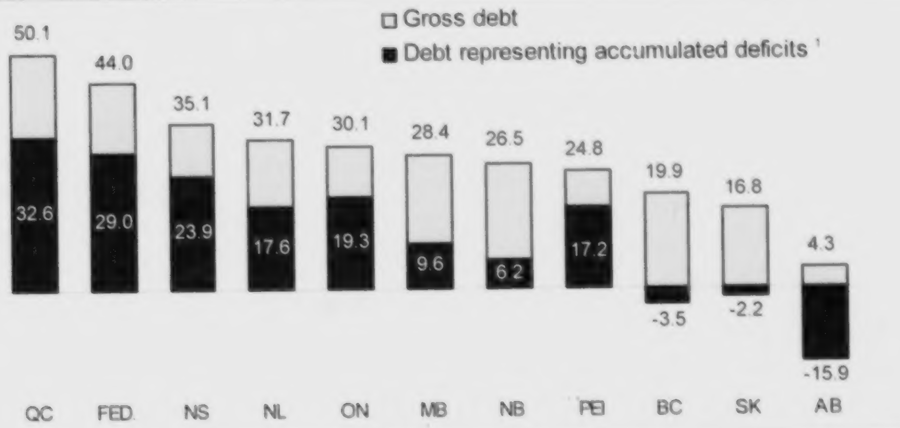
The preferred concept of debt in British Columbia and Saskatchewan is direct debt. Alberta, New Brunswick, Newfoundland and Labrador, Manitoba and Nova Scotia use the concept of net debt. As for Prince Edward Island, its recent budget documents make no mention of its debt.

Four governments use the concept of debt representing accumulated deficits as a measure of indebtedness in their budget documents. They are the government of Québec, the federal government and the governments of Ontario and Alberta.

Be it on the basis of the gross debt or the debt representing accumulated deficits, Québec is the most heavily indebted province.

CHART D.5

**Gross debt and debt representing accumulated deficits as at March 31, 2009**
(as a percentage of GDP)



[1] A negative entry means that the government has an accumulated surplus.

Sources: Ministère des Finances du Québec, governments' public accounts and Statistics Canada.

The following table shows the debt of the federal government and each of the provinces as at March 31, 2009. The figures in boxes refer to the concept of debt used by the government concerned in its budget documents to measure its level of debt. Some governments use more than one concept.

TABLE D.10

### Debt as at March 31, 2009 according to various concepts

(millions of dollars)

| | QC | FED | ON | BC | AB | NB | NL | MB | SK | NS | PEI |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Consolidated direct debt** | **124 629** | **514 020** | **176 825** | $\boxed{37\ 562}$ | **2 064** | **6 755** | **6 595** | **12 446** | $\boxed{4\ 796}$ | **10 225** | **1 092** |
| Net retirement plans liability | 28 649 | 139 909 | - 4 819 | 3 | 10 081 | - 210 | 1 704 | 2 003 | 5 475 | 1 788 | 34 |
| Net employee future benefits liability | 59 | 50 311 | 5 223 | 1 908 | 241 | 718 | 1 630 | — | 418 | — | 23 |
| Generations Fund | - 1 952 | | | | | | | | | | |
| **Gross debt**[1] | $\boxed{151\ 385}$ | **704 240** | **177 229** | **39 473** | **12 386** | **7 263** | **9 929** | **14 449** | **10 689** | **12 013** | **1 149** |
| *As a % of GDP* | *50.1* | *44.0* | *30.1* | *19.9* | *4.3* | *26.5* | *31.7* | *28.4* | *16.8* | *35.1* | *24.8* |
| Less: | | | | | | | | | | | |
| Net financial assets[2] | - 22 159 | - 179 027 | - 23 904 | - 14 933 | - 42 812 | 125 | - 1 961 | - 2 951 | - 7 165 | 311 | 260 |
| **Net debt**[3] | **129 226**[4] | **525 213** | $\boxed{153\ 325}$ | **24 540** | $\boxed{-30\ 426}$ | $\boxed{7\ 388}$ | $\boxed{7\ 968}$ | $\boxed{11\ 498}$ | **3 524** | $\boxed{12\ 324}$ | **1 409** |
| *As a % of GDP* | *42.8* | *32.8* | *26.1* | *12.4* | *- 10.4* | *27.0* | *25.5* | *22.6* | *5.5* | *36.0* | *30.5* |
| Less: | | | | | | | | | | | |
| Non-financial assets | - 30 767 | - 61 503 | - 40 087 | - 31 459 | - 15 848 | - 5 679 | - 2 466 | - 6 594 | - 4 921 | - 4 157 | - 616 |
| **Debt representing accumulated deficits**[3] | $\boxed{98\ 459}$[4] | $\boxed{463\ 710}$ | $\boxed{113\ 238}$ | **- 6 919** | $\boxed{-46\ 274}$ | **1 709** | **5 502** | **4 904** | **- 1 397** | **8 167** | **793** |
| *As a % of GDP* | *32.6* | *29.0* | *19.3* | *- 3.5* | *- 15.9* | *6.2* | *17.6* | *9.6* | *- 2.2* | *23.9* | *17.2* |

Note: The boxes show the debt concept(s) used in the government's budget documents.

1 Gross debt is not shown in most government public accounts. However, the public accounts do show the components of gross debt, i.e. the consolidated direct debt, the net retirement plans liability and the net employee future benefits liability. It is therefore possible to deduce the amount of the gross debt.

2 Financial assets, net of other liabilities.

3 A negative entry indicates that the government has net assets or an accumulated surplus.

4 After taking the stabilization reserve into account.

Sources: Ministère des Finances du Québec, governments' public accounts and Statistics Canada.

## 1.5 Retirement plans

The Québec government participates financially in the retirement plans of its employees. As at December 31, 2008, these plans had 541 930 participants and 270 934 beneficiaries.

TABLE D.11

**Retirement plans of public and parapublic sector employees as at December 31, 2008**

| | **Active participants** | **Beneficiaries** |
|---|---|---|
| Government and Public Employees Retirement Plan (RREGOP) | 505 000 | 172 294 |
| Pension Plan of Management Personnel (PPMP) | 27 400 | 20 408 |
| Other plans: | | |
| - Teachers Pension Plan (TPP) and Pension Plan of Certain Teachers (PPCT)[1] | 330 | 48 160 |
| - Civil Service Superannuation Plan (CSSP)[1] | 175 | 23 354 |
| - Pension Plan for the Members of the Sûreté du Québec (PPMSQ) | 5 300 | 4 507 |
| - Pension Plan of Peace Officers in Correctional Services (PPPOCS) | 3 100 | 1 452 |
| - Pension Plan of the Judges of the Court of Québec and of Certain Municipal Courts (PPJCQM) | 270 | 324 |
| - Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec (PPFEQ) | 230 | 112 |
| - Pension Plan of the Members of the National Assembly (PPMNA) | 125 | 323 |
| Total for other plans | 9 530 | 78 232 |
| **TOTAL** | **541 930** | **270 934** |

[1] These plans have not accepted any new participants since July 1, 1973.

Source: Commission administrative des régimes de retraite et d'assurances.

These plans are defined benefit retirement plans, which means that they guarantee participants a certain level of income upon retirement. Benefits are calculated on the basis of participants' average income for the best paid years (generally five) and their number of years of service. The pension usually represents 2% of an employee's average income per year of service, for a maximum of 70%. Benefits are partially indexed to inflation.

The Commission administrative des régimes de retraite et d'assurances (CARRA) is responsible for administering the retirement plans. In 2009-2010, the government should pay $4 108 million to cover its share of the benefits paid to its retired employees.

### ☐ Retirement plans liability

In its financial statements, the government discloses the present value of the retirement benefits it will pay to its employees, taking into account the conditions governing their plans, as well as their years of service. This value is called the retirement plans liability.

CARRA performs actuarial valuations of the liability for each retirement plan in conformity with the rules set for the public sector by the Canadian Institute of Actuaries (CIA) and the Canadian Institute of Chartered Accountants (CICA).

As at March 31, 2010, the government's retirement plans liability should stand at $66 961 million, an amount that is recognized in the government's gross debt.

TABLE D.12

### Retirement plans liability

(millions of dollars)

| | 31 mars 2010P |
|---|---|
| Government and Public Employees Retirement Plan (RREGOP) | 37 332 |
| Pension Plan of Management Personnel (PPMP) | 8 458 |
| Other plans: | |
| - Teachers Pension Plan (TPP) and Pension Plan of Certain Teachers (PPCT) | 12 374 |
| - Civil Service Superannuation Plan (CSSP) | 4 242 |
| - Pension Plan for the Members of the Sûreté du Québec (PPMSQ) | 3 260 |
| - Pension Plan of Peace Officers in Correctional Services (PPPOCS) | 791 |
| - Pension Plan of the Judges of the Court of Québec and of Certain Municipal Courts (PPJCQM) | 481 |
| - Pension credits under supplemental pension plans | 376 |
| - Supplemental pension plan arising from the transfer of the pension plan for non-teaching personnel of the Commission des écoles catholiques de Montréal (SPP of the CECM) to RREGOP | 282 |
| - Pension Plan of the Members of the National Assembly (PPMNA) | 171 |
| - Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec (PPFEQ) | 106 |
| - Supplemental pension plan arising from the transfer of the pension plan for certain employees of the Commission scolaire de la Capitale (SPP of the CSC) to RREGOP | 46 |
| - Plans assets | – 958 |
| Total for other plans | 21 171 |
| **RETIREMENT PLANS LIABILITY** | **66 961** |

P: Preliminary results.

## ☐ Annual retirement plans expenditure

Every year, the government records its expenditure as an employer with regard to the retirement plans.

In 2009-2010, this expenditure should total $2 015 million. It comprises two components:

— the net cost of vested benefits, that is, the present value of retirement benefits that employees have accumulated for work performed during the year, i.e. $1 529 million;

— the amortization of revisions to the government's actuarial obligations that arise from the updating of actuarial valuations, for a cost of $486 million.

TABLE D.13

**Retirement plans expenditure**
(millions of dollars)

| | 2009-2010P |
|---|---|
| Net cost of vested benefits | 1 529 |
| Amortization of revisions arising from actuarial valuations | 486 |
| **RETIREMENT PLANS EXPENDITURE** | **2 015** |

P: Preliminary results.

## 1.6 Retirement Plans Sinking Fund

The Retirement Plans Sinking Fund was created in 1993. The RPSF is an asset that can be used to pay the retirement benefits of public and parapublic sector employees.

As at March 31, 2010, the book value of the RPSF should amount to $38 198 million.

TABLE D.14

### Change in the Retirement Plans Sinking Fund (RPSF)

(millions of dollars)

| | Book value, beginning of year | Deposits | Investment income imputed | Book value, end of year |
|---|---|---|---|---|
| 1993-1994 | — | 850 | 4 | 854 |
| 1994-1995 | 854 | — | – 5 | 849 |
| 1995-1996 | 849 | — | 74 | 923 |
| 1996-1997 | 923 | — | 91 | 1 014 |
| 1997-1998 | 1 095[1] | — | 84 | 1 179 |
| 1998-1999 | 1 179 | 944 | 86 | 2 209 |
| 1999-2000 | 2 209 | 2 612 | 219 | 5 040 |
| 2000-2001 | 5 040 | 1 607 | 412 | 7 059 |
| 2001-2002 | 7 059 | 2 535 | 605 | 10 199 |
| 2002-2003 | 10 199 | 900 | 741 | 11 840 |
| 2003-2004 | 11 840 | 1 502 | 862 | 14 204 |
| 2004-2005 | 14 204 | 3 202 | 927 | 18 333 |
| 2005-2006 | 18 333 | 3 000 | 1 230 | 22 563 |
| 2006-2007 | 22 437[1] | 3 000 | 1 440 | 26 877 |
| 2007-2008 | 26 877 | 3 000 | 1 887 | 31 764 |
| 2008-2009 | 31 749[2] | 2 100 | 2 176 | 36 025 |
| 2009-2010[P] | 36 025 | — | 2 173 | 38 198 |

P: Preliminary results.

[1] Taking into account restatements arising from the government accounting reforms of 1997-1998 and 2006-2007.

[2] Taking into account an adjustment arising from consideration of the expected average remaining service life (EARSL) of participants under the PPMP (9 years instead of 14 years).

The information on the RPSF shown in the preceding table was established on the basis of the government's accounting policies, which are in full compliance with generally accepted accounting principles (GAAP) for Canada's public sector.

The book value of the RPSF as at March 31, 2010 is higher than its market value. As a result of the accounting policies, the difference between these two items will be fully amortized in the coming years. In addition, the financial impact of gradually amortizing the difference is fully incorporated into the government's financial framework over the entire planning horizon. Section 1.10 describes these items in greater detail.

The government's accounting policies apply when the RPSF's book value is higher than its market value as well as when it is lower. As shown by the following table, the book value of the RPSF has been lower than its market value 8 times in the past 16 years.

TABLE D.15

**Book value and market value of the Retirement Plans Sinking Fund as at March 31**
(millions of dollars)

| | Book value | Market value | Difference |
|---|---:|---:|---:|
| 1994-1995 | 849 | 831 | 18 |
| 1995-1996 | 923 | 954 | – 31 |
| 1996-1997 | 1 014 | 1 095 | – 81 |
| 1997-1998 | 1 179 | 1 321 | – 142 |
| 1998-1999 | 2 209 | 2 356 | – 147 |
| 1999-2000 | 5 040 | 5 703 | – 663 |
| 2000-2001 | 7 059 | 7 052 | 7 |
| 2001-2002 | 10 199 | 9 522 | 677 |
| 2002-2003 | 11 840 | 9 240 | 2 600 |
| 2003-2004 | 14 204 | 12 886 | 1 318 |
| 2004-2005 | 18 333 | 17 362 | 971 |
| 2005-2006 | 22 563 | 23 042 | – 479 |
| 2006-2007 | 26 877 | 28 859 | – 1 982 |
| 2007-2008 | 31 764 | 32 024 | – 260 |
| 2008-2009 | 36 025 | 25 535 | 10 490 |
| 2009-2010P | 38 198 | 28 835[1] | 9 363 |

P: Preliminary results.
[1] Market value as at December 31, 2009.

## ☐ Amounts deposited in the RPSF have no impact on gross debt

The government issues bonds on financial markets in order to make deposits in the RPSF. However, the amounts deposited in the RPSF do not affect the government's gross debt.

Indeed, the amount of borrowings contracted to make deposits in the RPSF increases the direct debt. At the same time, however, these deposits reduce the net retirement plans liability by the same amount. Therefore, the net impact on the gross debt is nil.

TABLE D.16

**Illustration of the impact on the government's gross debt of borrowing $1 billion on financial markets and depositing it in the RPSF[1]**
(millions of dollars)

| | | Before deposit | After deposit | Change |
|---|---|---|---|---|
| (A) | Consolidated direct debt | 134 021 | 135 021 | 1 000 |
| | Retirement plans liability | 66 961 | 66 961 | — |
| | Less: Book value of the RPSF | – 38 198 | – 39 198 | – 1 000 |
| (B) | Net retirement plans liability | 28 763 | 27 763 | – 1 000 |
| (C) | Net employee future benefits liability | — | — | — |
| (D) | Less: Generations Fund | – 2 667 | – 2 667 | — |
| **(E)** | **GROSS DEBT (E=A+B+C+D)** | **160 117** | **160 117** | — |

[1] Illustration based on preliminary results as at March 31, 2010.

## ☐ A decline in debt service

Deposits in the RPSF entail a reduction in the government's debt service. The rates of return on funds managed by the Caisse de dépôt et placement du Québec are generally higher than interest rates on Québec government bonds issued to finance deposits in the RPSF. Therefore, the income of the RPSF, which is applied against the government's debt service, is usually higher than the additional interest charges that arise from new borrowings. This leads to a net decrease in the government's debt service.

Since the RPSF was created, its return has been higher than the cost of new long-term borrowings by the government 12 years out of 16.

TABLE D.17

**Comparison of the RPSF's annual return and the Québec government's borrowing costs**
(per cent)

| | Return of the RPSF[1] | Cost of new borrowings[2] | Difference |
|---|---|---|---|
| 1994-1995 | – 3.3[3] | 5.9 | – 9.2 |
| 1995-1996 | 17.0 | 5.3 | 11.7 |
| 1996-1997 | 16.1 | 6.3 | 9.8 |
| 1997-1998 | 13.4 | 5.7 | 7.7 |
| 1998-1999 | 10.4 | 5.8 | 4.6 |
| 1999-2000 | 15.3 | 7.2 | 8.1 |
| 2000-2001 | 7.2 | 6.2 | 1.0 |
| 2001-2002 | – 4.7 | 5.5 | – 10.2 |
| 2002-2003 | – 8.5 | 4.7 | – 13.2 |
| 2003-2004 | 14.9 | 4.6 | 10.3 |
| 2004-2005 | 11.4 | 4.4 | 7.0 |
| 2005-2006 | 13.5 | 4.4 | 9.1 |
| 2006-2007 | 13.5 | 4.4 | 9.1 |
| 2007-2008 | 5.2 | 4.8 | 0.4 |
| 2008-2009 | – 25.6 | 4.2 | – 29.8 |
| 2009-2010 | 10.7 | 4.4 | 6.3 |

[1] On a calendar year basis.
[2] On a fiscal year basis.
[3] From February to December 1994.

## ☐ A flexible deposit policy

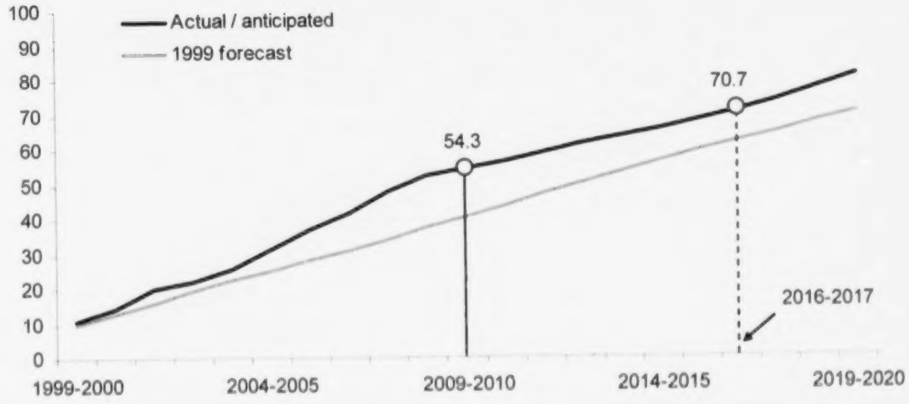
In December 1999, as part of an agreement concluded for the renewal of its employees' collective agreements, the government set the objective that the funds accumulated in the RPSF would be equal, in 2020, to 70% of its actuarial obligations in regard to the retirement plans of public and parapublic sector employees.

However, the government has all the flexibility needed to apply this policy. Deposits in the RPSF are made only when market conditions are favourable, particularly with respect to interest rates and market receptiveness to bond issues.

The RPSF's assets are expected to represent roughly 54% of the government's actuarial obligations in regard to the retirement plans of public and parapublic sector employees in 2009-2010. The target of 70% should be attained three years earlier than anticipated, i.e. in 2016-2017.

CHART D.6

**The RPSF in proportion to the government's actuarial obligations regarding the retirement plans of public and parapublic sector employees**
(per cent)



## 1.7 Employee future benefits

In addition to the retirement plans, the government records under its debt the value of its commitments regarding two future benefits programs for its employees, namely, accumulated sick leave, which is payable notably when an employee retires, and pensions paid to the survivors of a government employee. These programs give rise to long-term obligations whose costs are covered in full by the government.

The balance of the net liability for employee future benefits should be nil as at March 31, 2010.

TABLE D.18

**Net employee future benefits liability**
(millions of dollars)

| | **March 31, 2010$^{P}$** |
|---|---|
| Accumulated sick leave | 703 |
| Survivor's pension plan | 405 |
| Less: Accumulated Sick Leave Fund | – 657 |
| Survivor's Pension Plan Fund | – 451 |
| **NET EMPLOYEE FUTURE BENEFITS LIABILITY** | — |

P: Preliminary results.

## 1.8 Generations Fund

The Generations Fund was created in June 2006 by the adoption of the *Act to reduce the debt and establish the Generations Fund*. The sums accumulated in the fund are dedicated exclusively to repaying the debt.

Section G presents the results of the Generations Fund in accordance with the requirements of the Act.

As at March 31, 2010, the book value of the Generations Fund is expected to stand at $2 667 million. The following table shows the book and market values of the Generations Fund since its creation.

TABLE D.19

**Book value and market value of the Generations Fund as at March 31**
(millions of dollars)

| | Book value | Market value | Difference |
|---|---|---|---|
| 2006-2007[1] | 584 | 576 | 8 |
| 2007-2008 | 1 233 | 1 147 | 86 |
| 2008-2009 | 1 952 | 1 598 | 354 |
| 2009-2010[P] | 2 667 | 2 512[2] | 155 |

P: Preliminary results.

[1] The first payment was made to the Generations Fund on January 31, 2007.

[2] Market value of $2 304 million as at December 31, 2009 plus the revenues dedicated to the Generations Fund from January 1 to March 31, 2010.

## ☐ Faster reduction of the debt

Financing for the Generations Fund comes from Québec government revenues dedicated exclusively to repaying the debt.

If the Generations Fund did not exist, these revenues would reduce the Québec government's financial requirements every year. They would also make it possible to reduce Québec's indebtedness. However, it would not be easy for Quebecers to see, over time, how the debt is being brought down thanks to the revenues dedicated to that end.

The Generations Fund makes it possible to follow the change in the funds the government sets aside to repay the debt. These funds, which are administered by the Caisse de dépôt et placement du Québec (the Caisse), are subtracted from the government's debt. The impact on the debt is thus clear and transparent.

In addition, the returns obtained by the Caisse are usually higher than the cost of new borrowings by the Québec government, which helps to accelerate debt burden reduction.

Since the first deposit was made in the Generations Fund in January 2007, the return has been higher than the cost of new borrowings by the government two years out of three. It should be noted that in the case of the RPSF, which has existed since 1993, this has occurred 12 years out of 16.

TABLE D.20

**Comparison of the Generations Fund's annual return and the Québec government's borrowing costs**
(per cent)

| | Return of the Generations Fund[1] | Cost of new borrowings[2] | Difference |
|---|---|---|---|
| 2007-2008 | 5.6[3] | 4.8 | 0.8 |
| 2008-2009 | – 22.4 | 4.2 | – 26.6 |
| 2009-2010 | 11.3 | 4.4 | 6.9 |

[1] On a calendar year basis.
[2] On a fiscal year basis.
[3] Return realized from February to December 2007, since the first deposit was made in the Generations Fund on January 31, 2007.

## 1.9 Returns of the Caisse de dépôt et placement du Québec on funds deposited by the Ministère des Finances

In 2009, the return on funds deposited by the Ministère des Finances with the Caisse was 10.74% for the Retirement Plans Sinking Fund, 11.25% for the Generations Fund and 10.14% for the Accumulated Sick Leave Fund. These results exceeded the average return for Caisse depositors as a whole (10.04%). The details of the investment policy are presented in the box on page D.35.

TABLE D.21

**Market value and return in 2009 of funds deposited with the Caisse de dépôt et placement du Québec by the Ministère des Finances**
(millions of dollars and per cent)

| Fund | Return | Market value as at December 31, 2009 |
|---|---|---|
| | % | $ million |
| Retirement Plans Sinking Fund | 10.74 | 28 835 |
| Generations Fund | 11.25 | 2 304 |
| Accumulated Sick Leave Fund | 10.14 | 661 |

### 1.9.1 Retirement Plans Sinking Fund

The Retirement Plans Sinking Fund showed a return of 10.74% in 2009. Its market value was $28 835 million as at December 31, 2009.

The assets of the RPSF are managed by the Caisse in accordance with an investment policy established by the Ministère des Finances. This investment policy was established taking several factors into account, including the 10-year return, standard deviation and correlation forecasts for various categories of assets prepared by the Caisse, as well as opportunities for investing in these assets.

The investment policy of the RPSF consists of 30.75% fixed-income securities (bonds, etc.), 36.25% equities and 33.0% other investments (real estate, private equity, etc.). These weightings are similar to those used on average by all depositors with the Caisse.

TABLE D.22

### Investment policy of the RPSF as at January 1, 2010

(per cent)

| | Benchmark portfolio of the RPSF | Average benchmark portfolio of all depositors[1] |
|---|---|---|
| Fixed-income securities | 30.75 | 31.1 |
| Equities | 36.25 | 34.5 |
| Other investments | 33.00 | 34.4 |
| **TOTAL** | **100.0** | **100.0** |

1 Data for 2008. Source: Caisse de dépôt et placement du Québec, Annual Report 2008. The annual report for 2009 is not available yet.

With its investment policy, the RPSF should generate a long-term (10-year or longer) annual return of 7.0%. This return is comparable to that forecast by most retirement plans in Canada. According to a recent survey by Morneau Sobeco[2], the anticipated long-term return on assets of two retirement plans out of three in Canada is equal to or above 7.0%.

It is important to note that the RPSF's investment policy is based on a long-term horizon and constitutes the benchmark portfolio for the Caisse. However, through active management, the Caisse adjusts the allocation of the RPSF's assets, particularly to take fluctuations in the economic and financial situation into account. The RPSF's benchmark portfolio would have generated a return of 15.27% in 2009.

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[2] Morneau Sobeco (2009), *2009 Survey of Economic Assumptions in Accounting for Pensions and Other Post-Retirement Benefits.*

## 1.9.2 Generations Fund

The Generations Fund posted a return of 11.25% in 2009. Its market value was $2 304 million as at December 31, 2009.

The assets of the Generations Fund are managed by the Caisse in accordance with an investment policy established by the Ministère des Finances. This investment policy was established taking several factors into account, including the 10-year return, standard deviation and correlation forecasts for various categories of assets prepared by the Caisse, as well as opportunities for investing in these assets.

The investment policy of the Generations Fund consists of 37.0% fixed-income securities (bonds, etc.), 35.0% equities and 28.0% other investments (real estate, private equity, etc.).

TABLE D.23

**Investment policy of the Generations Fund as at January 1, 2010**
(per cent)

| | Benchmark portfolio of the Generations Fund | Average benchmark portfolio of all depositors[1] |
|---|---|---|
| Fixed-income securities | 37.0 | 31.1 |
| Equities | 35.0 | 34.5 |
| Other investments | 28.0 | 34.4 |
| **TOTAL** | **100.0** | **100.0** |

[1] Data for 2008. Source: Caisse de dépôt et placement du Québec, *Annual Report 2008*. The annual report for 2009 is not available yet.

The investment policy of the Generations Fund aims to achieve a long-term (10-year or longer) annual return of 6.8%. It is important to note that the investment policy of the Generations Fund is based on a long-term horizon and constitutes the benchmark portfolio for the Caisse. However, through active management, the Caisse adjusts the allocation of the Generations Fund's assets, particularly to take fluctuations in the economic and financial situation into account. The benchmark portfolio of the Generations Fund would have generated a return of 15.04% in 2009.

### 1.9.3 Accumulated Sick Leave Fund

The Accumulated Sick Leave Fund (ASLF) showed a return of 10.14% in 2009. Its market value was $661 million as at December 31, 2009.

The assets of the ASLF are managed by the Caisse in accordance with an investment policy established by the Ministère des Finances. Since January 1, 2009, the ASLF's investment policy has been identical to that of the RPSF, as the creation of the ASLF stems from a long-term commitment made by the government in regard to employee future benefits, which is similar to the commitment regarding the retirement plans.

It is important to note that the ASLF's investment policy constitutes the benchmark portfolio for the Caisse. However, through active management, the Caisse adjusts the allocation of the ASLF's assets, particularly to take fluctuations in the economic and financial situation into account. The ASLF's benchmark portfolio would have generated a return of 15.27% in 2009.

## Comparison of investment policies

**Investment policies as at January 1, 2010**
(per cent)

| Specialized portfolio | RPSF and ASLF | Generations Fund | Average benchmark portfolio of all depositors[1] |
|---|---|---|---|
| Short-term investments | 1.0 | 1.0 | 1.1 |
| Bonds | 29.75 | 36.0 | 26.9 |
| Real return bonds | 0.0 | 0.0 | 0.6 |
| Long-term bonds | 0.0 | 0.0 | 2.5 |
| **Total – Fixed income** | **30.75** | **37.0** | **31.1** |
| Canadian equity | 13.75 | 10.0 | 12.2 |
| US equity – hedged | 0.5 | 0.5 | 3.4 |
| US equity – unhedged | 2.0 | 1.5 | |
| Foreign equity – hedged | 2.5 | 2.0 | 5.5 |
| Foreign equity – unhedged | 4.0 | 2.0 | |
| Emerging market equity | 4.0 | 4.0 | 3.2 |
| Québec International | 9.5 | 15.0 | 10.2 |
| **Total – Equity markets** | **36.25** | **35.0** | **34.5** |
| Investments and infrastructures | 6.0 | 5.0 | 5.5 |
| Private equity | 8.0 | 6.0 | 8.0 |
| Real estate debt | 7.0 | 7.0 | 6.5 |
| Real estate | 8.5 | 7.0 | 9.8 |
| Commodities | 0.0 | 0.0 | 1.6 |
| Hedge funds | 3.5 | 3.0 | 3.0 |
| **Total – Other investments** | **33.0** | **28.0** | **34.4** |
| **TOTAL** | **100.0** | **100.0** | **100.0** |

RPSF: Retirement Plans Sinking Fund.
ASLF: Accumulated Sick Leave Fund.

[1] Source: Caisse de dépôt et placement du Québec, *Annual Report 2008*. The annual report for 2009 is not available yet.

## 1.10 Impact of the returns of the Retirement Plans Sinking Fund on Debt Service

As indicated in section 1.6, the income of the RPSF is applied against the government's debt service. The returns of the Caisse affect RPSF income and therefore debt service.

The returns realized by the Caisse on RPSF income are taken into account in the government's balance sheet and results by applying the accounting policy adopted in the wake of the December 2007 reform of government accounting in accordance with generally accepted accounting principles (GAAP).

> "When determining a government's retirement benefit liability and expense, plan assets would be valued at market-related values. Under this method, plan assets are recorded at market value or they are adjusted to market value over a period not to exceed five years. Values adjusted to market closely approximate current economic value in a manner that can minimize short-term fluctuations. Market-related values would be used because they are objective and verifiable. Once a basis of valuation is chosen it would be applied consistently." (Canadian Institute of Chartered Accountants (CICA), *Public Sector Accounting Handbook*, section 3250, paragraph .035)

Under the accounting policy, the "adjusted market value" of the RPSF is adjusted every year based on the returns realized by the fund. If, for a given year, the realized return differs from the anticipated long-term return, the difference between the two is spread over five years. All other things being equal, this means that the adjusted market value and the market value will converge over a five-year period. It is important to note that this method is applied when returns are higher than expected as well as when they are lower.[3]

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[3] Before the accounting reform of 2007, the value of the RPSF was adjusted only once every three years, that is, when actuarial valuations were carried out. Since the reform, it has been adjusted every year.

In addition, the differences between actual and expected return, which are spread over five years, are taken into account in RPSF income by amortizing them over a period of about 13 years, that is, the expected average remaining service life (EARSL) of retirement plan participants[4]. This amortization mechanism and the period used are prescribed by GAAP[5].

Therefore, the returns realized by the Caisse in 2008-2009, which were lower than expected, reduce the income of the RPSF as of 2009-2010. The higher-than-anticipated returns realized by the Caisse in 2009-2010 will lead to an increase in the RPSF's income as of 2010-2011.

TABLE D.24

**Impact of the returns of the Caisse de dépôt et placement du Québec on debt service[1]**
(millions of dollars)

| | 2009-2010P | 2010-2011P | 2011-2012P |
|---|---|---|---|
| Before 2008-2009 | – 48 | – 80 | – 58 |
| From 2008-2009 | 307 | 635 | 985 |
| From 2009-2010 | | – 24 | – 49 |
| **Increase in debt service** | **259** | **531** | **878** |

Note: A positive entry indicates an increase in debt service and a negative entry, a decrease.
P: Preliminary results for 2009-2010 and forecasts for subsequent years.
1 Represents the impact on RPSF income, and therefore on debt service, of returns of the Caisse that are lower or higher than the anticipated long-term return (6.75%) and that are amortized.

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[4] As with recognition of the retirement plans liability, the RPSF accounting method draws a distinction between the Pension Plan of Management Personnel (PPMP) and the other plans. The EARSL under the PPMP is 9 years compared with 14 years under the other plans.

[5] "...actuarial gains and losses should be amortized to the liability or asset and the related expense in a systematic and rational manner over the expected average remaining service life of the related employee group." Canadian Institute of Chartered Accountants (CICA), *Public Sector Accounting Handbook*, section 3250, paragraph .062. For the purposes of retirement assets, the CICA defines actuarial gains (losses) as changes in the value of plan assets that are caused notably by variances between actual results and expected results.

# 2. FINANCING

Borrowings in fiscal 2009-2010 should total $15 475 million, i.e. $9 742 million for the Consolidated Revenue Fund, $2 415 million for the Financing Fund and $3 318 million for Financement-Québec.

It should be noted that pre-financing of $3 855 million was carried out in the last few months of the fiscal year. It will be used to cover part of the borrowing program in 2010-2011.

## 2.1 Financing strategy

The government aims to borrow at the lowest possible cost. To that end, it applies a strategy for diversifying sources of funding by market, financial instrument and maturity.

### 2.1.1 Diversification by market

Financing transactions are conducted regularly on most markets, i.e. in Canada, the United States, Europe and Asia.

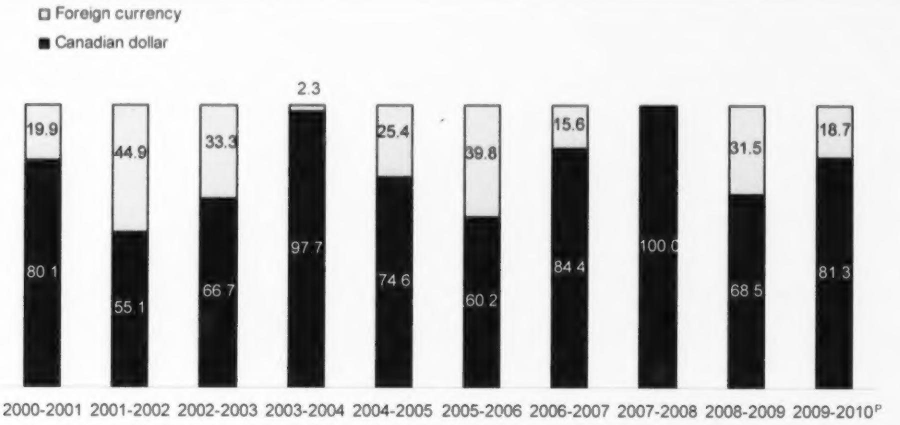
Over the past 10 years, nearly one quarter of borrowings, on average, has been contracted in foreign currency. Nonetheless, the government has only a very low exposure to foreign currencies (see section 3.1).

In 2009-2010, the government contracted 18.7% of its borrowings on foreign markets in three different currencies:

- two borrowings totalling 1 575 million euros (CAN$2 496 million) in April 2009 and March 2010;
- two borrowings totalling 16 000 million yen (CAN$197 million) in April 2009;
- one borrowing for 200 million Swiss francs (CAN$206 million) in December 2009.

CHART D.7

**Borrowings by currency**[1]
(per cent)



P: Preliminary results.

[1] Borrowings of the Consolidated Revenue Fund, borrowings for the Financing Fund and borrowings of Financement-Québec.

## 2.1.2 Diversification by instrument

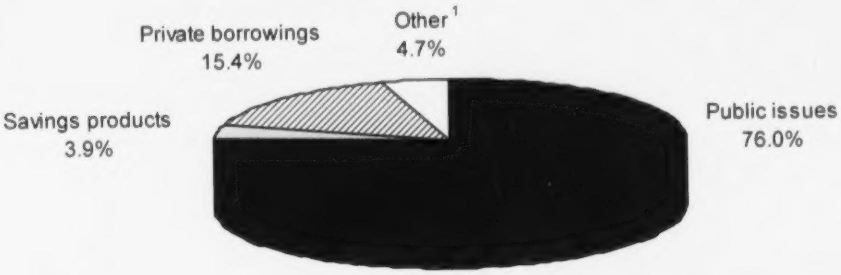
To satisfy investors' needs, an extensive array of financial products is used in the course of financing transactions.

Long-term instruments consist primarily of public bond issues, private borrowings and savings products.

The long-term instruments used in 2009-2010 consisted mainly of public issues (76.0%) and private borrowings (15.4%).

CHART D.8

### Borrowings in 2009-2010$^{P}$ by instrument



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P: Preliminary results.

[1] Includes the Business Assistance — Immigrant Investor Program and borrowings from the Canada Pension Plan Investment Fund.

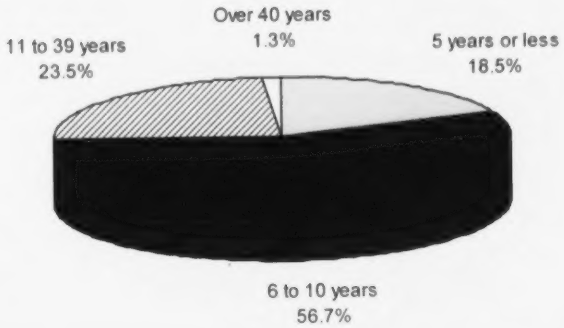
## 2.1.3 Diversification by maturity

Maturities of new borrowings are distributed over time to obtain a stable refinancing profile and ensure the government's regular presence on capital markets.

In 2009-2010, 56.7% of borrowings contracted had a maturity of 6 to 10 years; 23.5%, 11 to 39 years; 18.5%, 5 years or less; and 1.3%, over 40 years.

CHART D.9

### Borrowings in 2009-2010$^{P}$ by maturity



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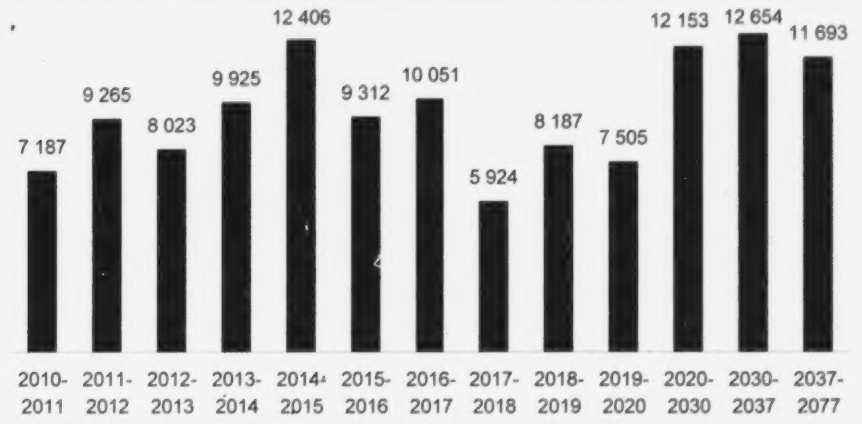
P: Preliminary results.

This diversification by maturity has an impact on the maturity of the debt shown in the following chart. As at March 31, 2010, the average maturity of the debt should be 11 years.

CHART D.10

**Maturity of the long-term debt as at March 31, 2010$^P$**
(millions of dollars)



Note: Direct debt of the Consolidated Revenue Fund, debt contracted to make advances to the Financing Fund and debt of Financement-Québec.
P: Preliminary results.

## 2.2 Financing program

The financing program of the Consolidated Revenue Fund makes it possible to refinance maturing borrowings, contribute to the Retirement Plans Sinking Fund and meet new financial requirements, particularly for capital investments and investments in government corporations.

The Financing Fund makes loans to consolidated entities (e.g. Fonds de conservation et d'amélioration du réseau routier, Investissement Québec, Société immobilière du Québec, Corporation d'hébergement du Québec) and to certain government enterprises.

Financement-Québec makes borrowings on financial markets to meet the needs of institutions in the health and social services and education networks.

In 2009-2010, the government contracted borrowings totalling $15 475 million, including $3 855 million in pre-financing conducted over the last few months of the year.

In 2010-2011, the financing program is expected to amount to $12 936 million. It would have amounted to $16 791 million had there not been any pre-financing in 2009-2010. In 2011-2012, the financing program should total $17 857 million.

TABLE D.25

**The government's financing program**
(millions of dollars)

| | 2008-2009 | 2009-2010P | 2010-2011P | 2011-2012P |
|---|---|---|---|---|
| **CONSOLIDATED REVENUE FUND** | | | | |
| Net financial requirements[1, 2] | 117 | 4 443 | 5 133 | 4 050 |
| Repayment of borrowings | 4 549 | 6 205 | 3 658 | 6 307 |
| Change in cash position | – 2 413 | – 8 161 | – 3 855 | — |
| Retirement Plans Sinking Fund, other retirement plan assets and funds dedicated to employee future benefits – Deposits | 2 678 | 112 | — | — |
| Transactions under the credit policy[3] | – 3 792 | 3 288 | — | — |
| Pre-financing | 8 161 | 3 855 | — | — |
| **TOTAL — Consolidated Revenue Fund** | **9 300** | **9 742** | **4 936** | **10 357** |
| **FINANCING FUND** | **1 439** | **2 415** | **4 500** | **4 000** |
| **FINANCEMENT-QUÉBEC** | **2 675** | **3 318** | **3 500** | **3 500** |
| **TOTAL** | **13 414** | **15 475** | **12 936** | **17 857** |

Note: A negative entry indicates a source of financing and a positive entry, a financial requirement.

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] Excludes consolidated entities.

[2] Net financial requirements are adjusted to take into account the non-receipt of RPSF and ASLF income.

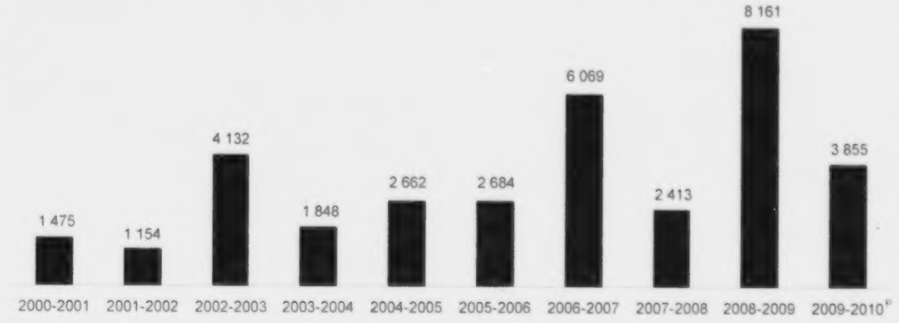
[3] Under its credit policy, which is designed to limit financial risk with respect to counterparties, the government disbursed $3 288 million in 2009-2010 following the change in foreign exchange rates. These disbursements do not affect the debt. In 2008-2009, the government received $3 792 million.

**Pre-financing**

The government makes advance borrowings, or borrowings that would normally be made in the following fiscal year. The government obtains pre-financing to take advantage of favourable market conditions.

Over the past 10 years, the government has obtained an average of $3 445 million in pre-financing per year.

**Pre-financing**
(millions of dollars)



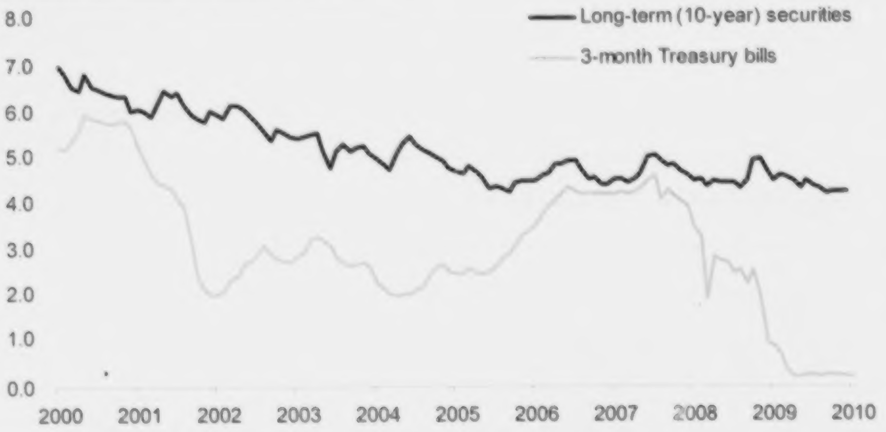
P: Preliminary results.

## 2.2.1 Yield

Over the past two years, the yield on long-term Québec securities has been fairly stable. However, short-term interest rates have fallen considerably, reflecting the monetary policy pursued by the Bank of Canada during the financial crisis.

CHART D.11

**Yield on Québec securities**
(per cent)

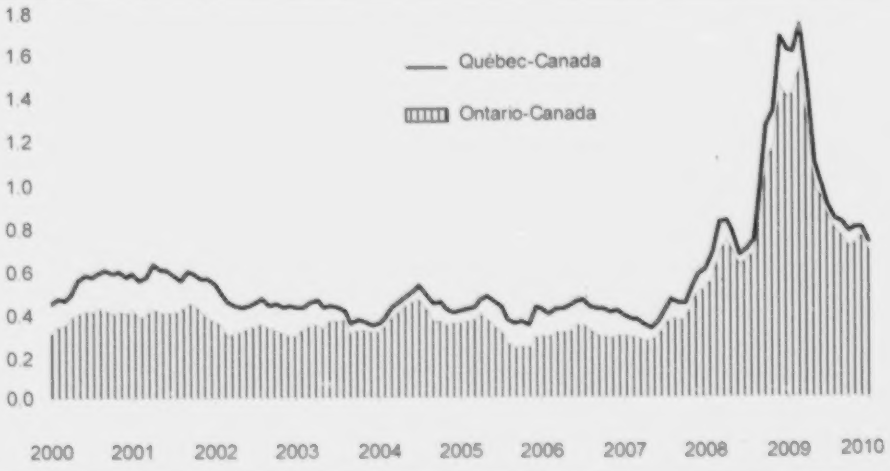


Sources: PC-Bond and Ministère des Finances du Québec.

In addition, the substantial increase in the spread between the yield on Québec and federal government securities, observed starting in summer 2008, has been reduced, with the spread returning to normal levels. The same situation has been observed in the other provinces.

CHART D.12

**Yield spread on long-term (10-year) securities**
(per cent)



Source: PC-Bond.

# 3. DEBT MANAGEMENT

The government's debt management strategy aims to minimize the cost of the debt and limit the risk related to fluctuations in foreign exchange and interest rates.

The government uses a range of financial instruments, particularly interest rate and currency swap agreements, to achieve desired debt proportions by currency and interest rate.

Debt management enables the government to save money on debt service.

## 3.1 Structure of the debt by currency

As at March 31, 2010, the proportion of the government's gross debt in Canadian dollars should amount to 96.3% and the proportion in foreign currency, 3.7%.

TABLE D.26

**Structure of the gross debt as at March 31, 2010[P]**
(millions of dollars)

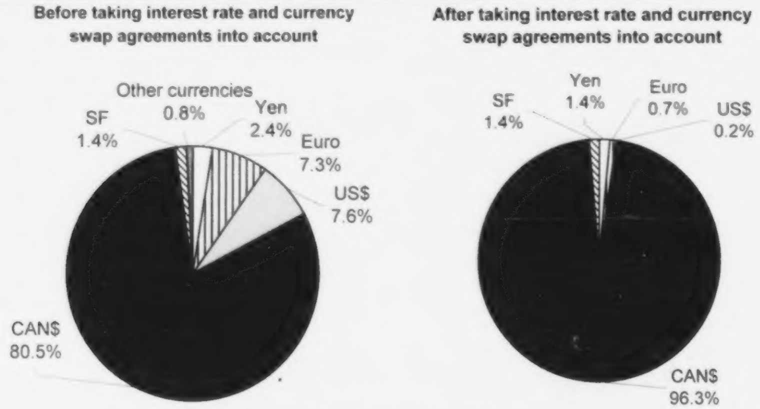
| | Consolidated direct debt | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Currency** | **Consolidated Revenue Fund** | **%** | **Consolidated entities** | **Total** | **%** | **Net retirement plans liability** | **Net employee future benefits liability** | **Less: Generations Fund** | **Gross debt** | **%** |
| Canadian dollar | 87 725 | 93.4 | 43 956 | 131 681 | 95.5 | 28 763 | — | – 2 667 | 157 777 | 96.3 |
| US dollar | 308 | 0.3 | — | 308 | 0.2 | — | — | — | 308 | 0.2 |
| Euro | 1 177 | 1.3 | — | 1 177 | 0.9 | — | — | — | 1 177 | 0.7 |
| Swiss franc | 2 355 | 2.5 | — | 2 355 | 1.7 | — | — | — | 2 355 | 1.4 |
| Yen | 2 355 | 2.5 | — | 2 355 | 1.7 | — | — | — | 2 355 | 1.4 |
| **Subtotal** | **93 920** | **100.0** | **43 956** | **137 876** | **100.0** | **28 763** | — | **– 2 667** | **163 972** | **100.0** |
| Pre-financing | – 3 855 | | — | – 3 855 | | — | — | — | – 3 855 | |
| **TOTAL** | **90 065** | | **43 956** | **134 021** | | **28 763** | — | **– 2 667** | **160 117** | |

Note: The debt in foreign currency is expressed in the Canadian equivalent based on the exchange rates in effect on March 22, 2010.
P: Preliminary results.

Before interest rate and currency swap agreements are taken into account, the proportion of the debt in foreign currency as at March 31, 2010 should be 19.5%. After interest rate and currency swap agreements are taken into account, the proportion should be 3.7%.

CHART D.13

### Structure of the gross debt by currency as at March 31, 2010P



**Before taking interest rate and currency swap agreements into account**

**After taking interest rate and currency swap agreements into account**

P: Preliminary results.

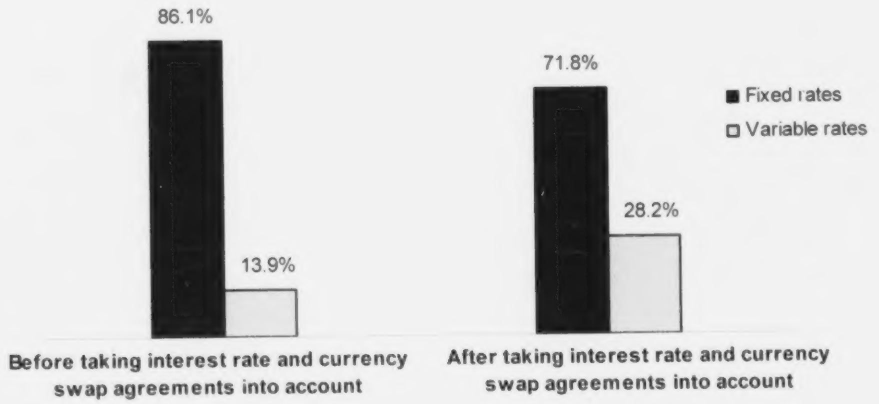
## 3.2 Structure of the debt by interest rate

The government keeps part of its debt at variable rates and part at fixed rates. Since short-term interest rates are generally lower than long-term rates, keeping part of the debt at variable rates makes it possible to achieve substantial savings on debt service.

Before interest rate and currency swap agreements are taken into account, the proportion of the gross debt at variable rates should be 13.9% as at March 31, 2010. After interest rate and currency swap agreements are taken into account, the proportion should be 28.2%.

CHART D.14

**Structure of the gross debt by interest rate as at March 31, 2010P**



P: Preliminary results.

# 4. CREDIT RATINGS

## 4.1 The Québec government's credit ratings

A borrower's credit rating measures its capacity to pay the interest on its debt and repay the principal at maturity. To establish the credit rating of a borrower like the Québec government, credit rating agencies analyze a range of economic, fiscal and financial factors. Among the main factors are the size, structure and vitality of the economy, the situation on the labour market, fiscal competitiveness, public finance situation and indebtedness.

To express the quality of a borrower's credit, credit rating agencies use rating scales, namely, a scale for short-term debt and a scale for long-term debt.

The following tables show the rating scales used by agencies for short- and long-term debt.

TABLE D.27

**Credit rating scales for short-term debt**

| Definition | Moody's | Standard & Poor's | Fitch Ratings | DBRS |
|---|---|---|---|---|
| ***Very strong*** capacity to pay interest and repay principal over the short term. | **P-1** | **A-1+**<br>A-1 | **F1+**<br>F1 | R-1$^{\text{high}}$<br>**R-1$^{\text{middle}}$**<br>R-1$^{\text{low}}$ |
| ***Very adequate*** capacity to pay interest and repay principal over the short term, despite greater sensitivity to economic conditions than the upper level. | P-2 | A-2 | F2 | R-2$^{\text{high}}$ |
| ***Adequate*** capacity to pay interest and repay principal over the short term. Difficult economic conditions may reduce this capacity. | P-3 | A-3 | F3 | R-2$^{\text{middle}}$<br>R-2$^{\text{low}}$<br>R-3 |
| ***Uncertain*** capacity to pay interest and repay principal over the short-term. Securities in this category are considered speculative securities. | Not Prime[1] | B-1<br>B-2<br>B-3<br>C | B<br>C | R-4<br>R-5 |
| ***Incapacity*** to pay interest and repay principal over the short-term. Securities in this category are considered default securities. | Not Prime[1] | D | D | D |

Note: The current credit ratings for Québec's short-term debt are indicated in bold.

[1] Moody's uses the "Not Prime" category for all securities not included in the upper categories.

TABLE D.28

### Credit rating scales for long-term debt

| Definition | Moody's | Standard & Poor's | Fitch Ratings | DBRS | Japan Credit Rating Agency |
|---|---|---|---|---|---|
| ***Extremely strong*** capacity to pay interest and repay principal. | Aaa | AAA | AAA | AAA | AAA |
| ***Very strong*** capacity to pay interest and repay principal. | Aa1 | AA+ | AA+ | AA (high) | **AA+** |
| | **Aa2** | AA | AA | AA | AA |
| | Aa3 | AA- | **AA-** | AA (low) | AA- |
| ***Strong*** capacity to pay interest and repay principal, despite greater sensitivity to economic conditions than levels AAA and AA. | A1 | **A+** | A+ | **A (high)** | A+ |
| | A2 | A | A | A | A |
| | A3 | A- | A- | A (low) | A- |
| ***Adequate*** capacity to pay interest and repay principal. Difficult economic conditions may reduce this capacity. | Baa1 | BBB+ | BBB+ | BBB (high) | BBB+ |
| | Baa2 | BBB | BBB | BBB | BBB |
| | Baa3 | BBB- | BBB- | BBB (low) | BBB- |
| ***Uncertain*** capacity to pay interest and repay principal, particularly under difficult economic conditions. | Ba1 | BB+ | BB+ | BB (high) | BB+ |
| | Ba2 | BB | BB | BB | BB |
| | Ba3 | BB- | BB- | BB (low) | BB- |
| ***Very uncertain*** capacity to pay interest and repay principal, particularly under difficult economic conditions. | B1 | B+ | B+ | B (high) | B+ |
| | B2 | B | B | B | B |
| | B3 | B- | B- | B (low) | B- |

Note: The current credit ratings for Québec's long-term debt are indicated in bold.

Agencies add an "outlook" to the rating that indicates the trend the credit rating may follow in the future. The outlook may be positive, stable or negative.

TABLE D.29

### The Québec government's current credit ratings

| Agency | Rating | Outlook |
|---|---|---|
| Moody's | Aa2 | Stable |
| Standard & Poor's (S&P) | A+ | Stable |
| Dominion Bond Rating Service (DBRS) | A (high) | Stable |
| Fitch Ratings (Fitch) | AA– | Stable |
| Japan Credit Rating Agency (JCR) | AA+ | Stable |

## ☐ Change in Québec's credit ratings

The following charts show the change in the Québec government's credit ratings.

CHART D.15

**Credit rating assigned to Québec by Moody's**

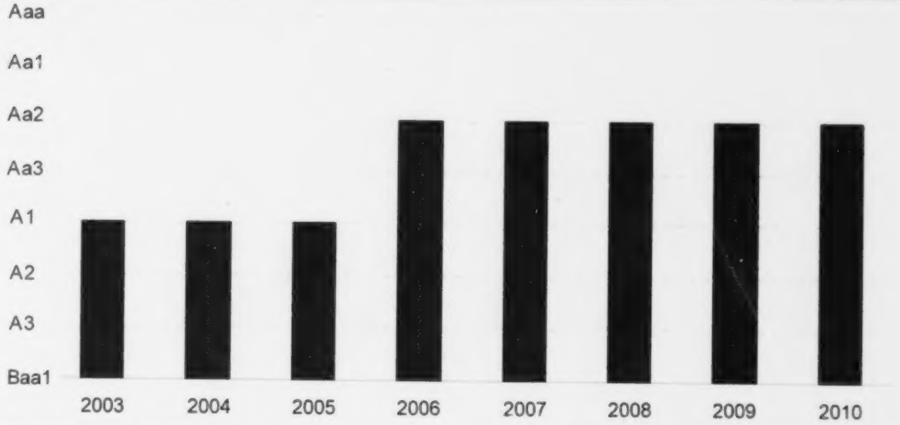


CHART D.16

### Credit rating assigned to Québec by Standard & Poor's

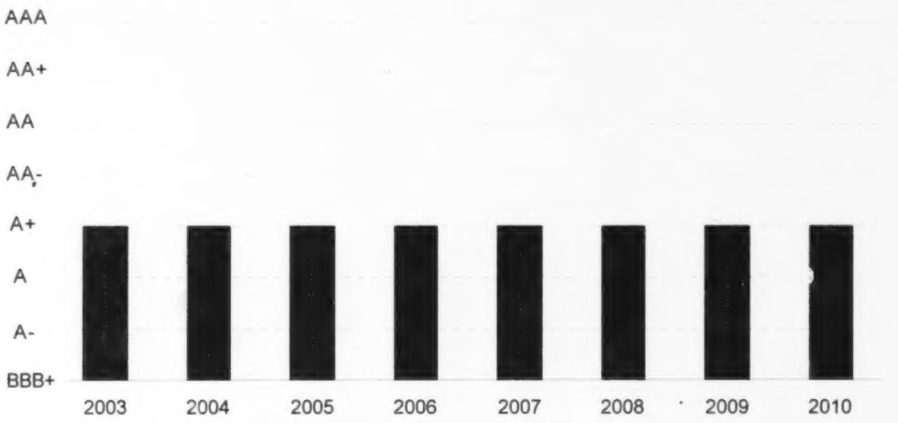


CHART D.17

### Credit rating assigned to Québec by DBRS

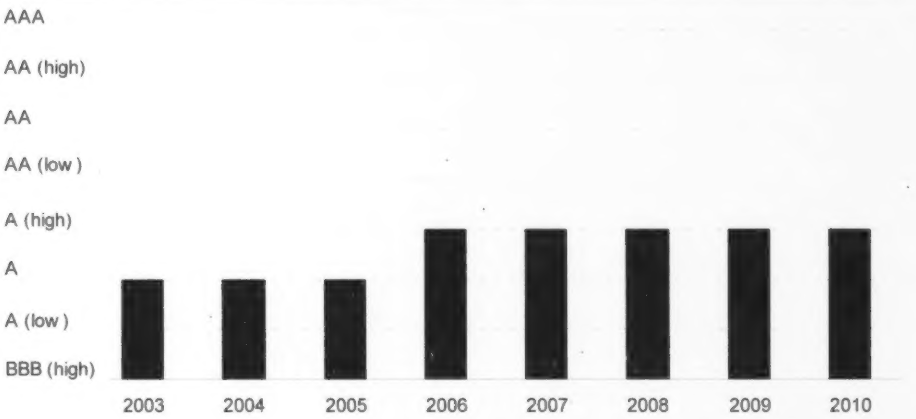


CHART D.18

**Credit rating assigned to Québec by Fitch**

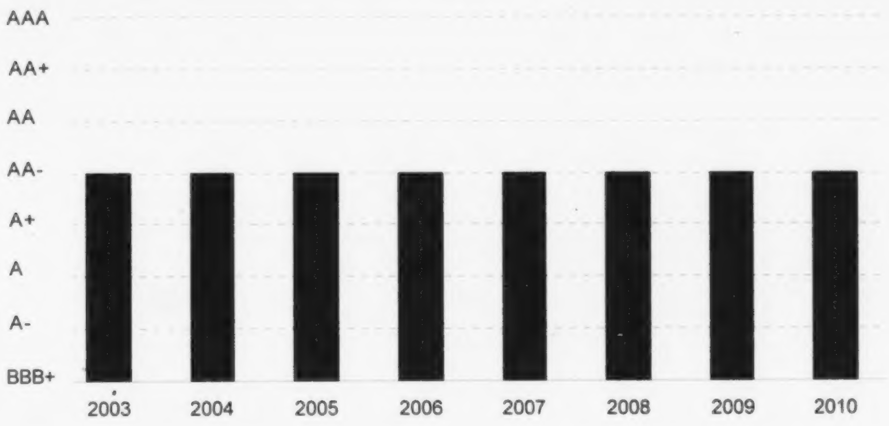
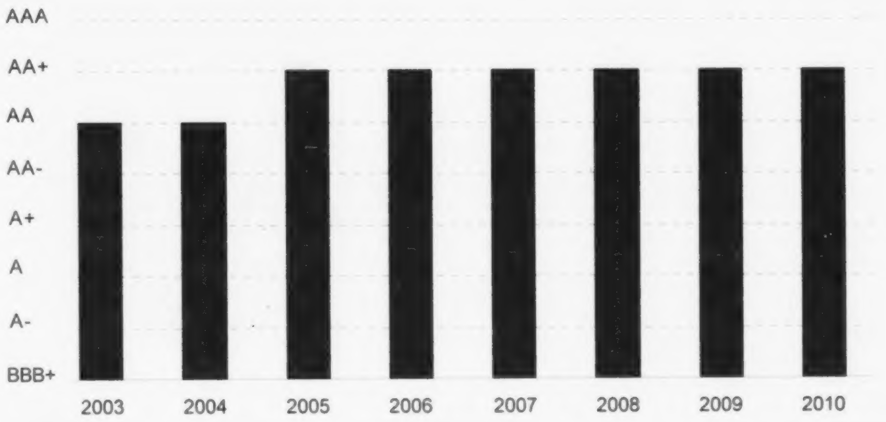


CHART D.19

**Credit rating assigned to Québec by JCR**



## 4.2 Comparison of the credit ratings of Canadian provinces

The following charts show the credit ratings of Canadian provinces in early March 2010. No chart is given for JCR since Québec is the only province that receives a credit rating from that agency.

CHART D.20

**Credit ratings of Canadian provinces — Moody's**

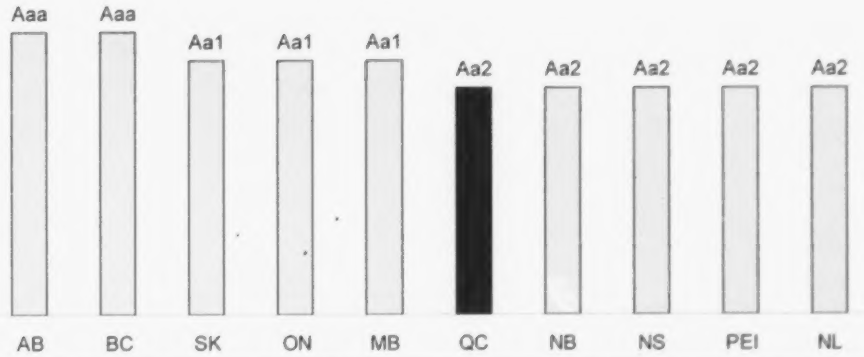
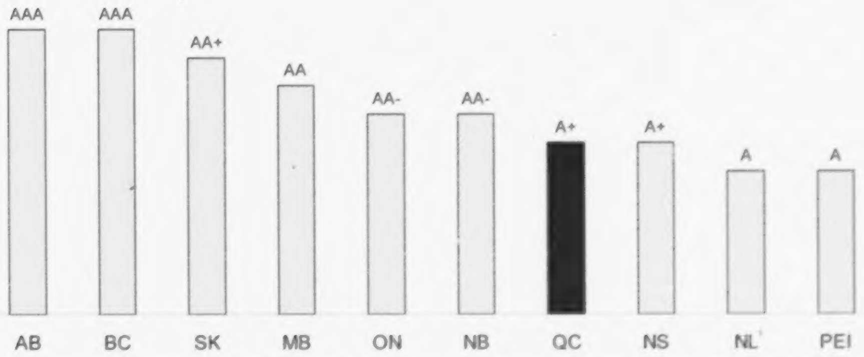


CHART D.21

**Credit ratings of Canadian provinces — Standard & Poor's**



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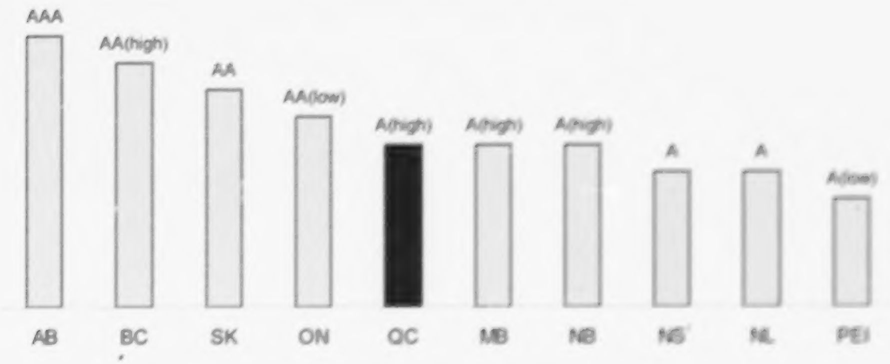
1 Positive outlook.

CHART D.22

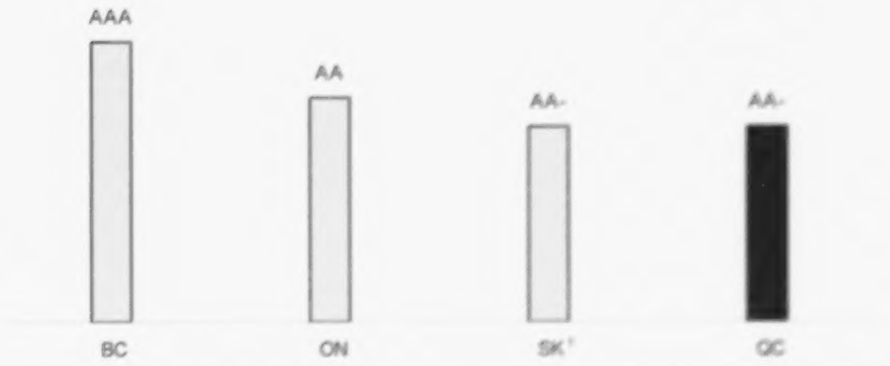
### Credit ratings of Canadian provinces — DBRS



1 Positive outlook.

CHART D.23

### Credit ratings of Canadian provinces — Fitch



Note: British Columbia, Ontario, Saskatchewan and Québec are the only provinces rated by this agency.

1 Positive outlook.

## 5. ADDITIONAL INFORMATION

TABLE D.30

### Summary of consolidated financing transactions

(millions of dollars)

| | 2009-2010[P] | | | | |
|---|---|---|---|---|---|
| | March 2009 Budget | Preliminary results | Change | 2010-2011[P] | 2011-2012[P] |
| **CHANGE IN CASH POSITION** | | | | | |
| Consolidated Revenue Fund | 5 984 | 4 306 | – 1 678 | 3 855 | — |
| Consolidated entities | — | – 170 | – 170 | — | — |
| **TOTAL – Change in cash position** | **5 984** | **4 136** | **– 1 848** | **3 855** | — |
| **NET BORROWINGS** | | | | | |
| Consolidated Revenue Fund | | | | | |
| New borrowings | 4 278 | 7 094[1] | 2 816 | 4 936 | 10 357 |
| Repayment of borrowings | – 5 245 | – 6 845[1] | – 1 600 | – 3 658 | – 6 307 |
| | – 967 | 249 | 1 216 | 1 278 | 4 050 |
| Consolidated entities[2] | | | | | |
| New borrowings | 7 082 | 9 247[3] | 2 165 | 8 152 | 8 556 |
| Repayment of borrowings | – 2 893 | – 3 284 | – 391 | – 2 712 | – 2 759 |
| | 4 189 | 5 963 | 1 774 | 5 440 | 5 797 |
| **TOTAL – Net borrowings** | **3 222** | **6 212** | **2 990** | **6 718** | **9 847** |
| **Retirement Plans Sinking Fund, other retirement plan assets and funds dedicated to employee future benefits** | **– 2 217** | **– 2 355** | **– 138** | **– 2 133** | **– 1 950** |
| **Generations Fund** | **– 715** | **– 715** | — | **– 892** | **– 972** |
| **TOTAL CONSOLIDATED FINANCING TRANSACTIONS** | **6 274** | **7 278** | **1 004** | **7 548** | **6 925** |

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

[P] Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] Disbursements totalling $3 288 million related to transactions carried out under the credit policy decrease new borrowings by $2 648 million and increase repayment of borrowings by $640 million.

[2] Does not take into account the net borrowings of institutions in the health and social services and education networks contracted in their own name.

[3] Includes a $3 568-million increase in temporary borrowings.

TABLE D.31

## Québec government
## Summary of long-term borrowings[1] in 2009-2010$^{P}$

| **Currency** | **$ million** | **%** |
|---|---|---|
| **CANADIAN DOLLAR** | | |
| Public issues | 9 169 | 59.3 |
| Private borrowings | 2 079 | 13.4 |
| Savings products | 602 | 3.9 |
| Business Assistance — Immigrant Investor Program | 720 | 4.7 |
| Canada Pension Plan Investment Fund | 6 | — |
| **Subtotal** | **12 576** | **81.3** |
| **OTHER CURRENCIES** | | |
| Euro | 2 496 | 16.1 |
| Swiss franc | 206 | 1.3 |
| Yen | 197 | 1.3 |
| **Subtotal** | **2 899** | **18.7** |
| **TOTAL** | **15 475** | **100.0** |

P: Preliminary results.

[1] Includes borrowings of the Consolidated Revenue Fund, borrowings for the Financing Fund and borrowings of Financement-Québec.

TABLE D.32

## Québec government
## Borrowings for the Consolidated Revenue Fund in 2009-2010[P]

| Amount in Canadian dollars[1] | Face value in foreign currency | Interest rate[2] | Date of issue | Date of maturity | Price to investor | Yield to investor[3] |
|---|---|---|---|---|---|---|
| (millions) | | % | | | $ | % |
| 161[4] | 13 000 yen | 2.73 | April 3 | 2029-04-03 | 100.000 | 2.730 |
| 472 | — | 5.00 | April 9 | 2038-12-01 | 98.128 | 5.123 |
| 10[4] | — | 5.10 | April 20 | 2049-09-21 | 101.322 | 5.023 |
| 10[4] | — | 5.10 | April 22 | 2053-09-21 | 100.083 | 5.095 |
| 455 | — | 4.50 | April 24 | 2018-12-01 | 100.983 | 4.373 |
| 2 391 | €1 500 | 5.00[5] | April 29 | 2019-04-29 | 99.615 | 5.050 |
| 36[4] | 3 000 yen | 2.90 | April 30 | 2029-04-27 | 100.000 | 2.900 |
| 139[4] | — | Various | May 6 | 2065-06-01 | 92.940 | 4.668 |
| 302 | — | 4.50 | May 8 | 2019-12-01 | 100.390 | 4.453 |
| 492 | — | 4.50 | May 15 | 2019-12-01 | 100.574 | 4.431 |
| 166 | — | 4.50 | June 8 | 2019-12-01 | 99.216 | 4.595 |
| 494 | — | 4.50 | June 15 | 2019-12-01 | 98.807 | 4.645 |
| 301 | — | 4.50 | August 4 | 2019-12-01 | 100.380 | 4.453 |
| 321 | — | 5.00 | September 22 | 2041-12-01 | 103.657 | 4.776 |
| 524 | — | 5.00 | September 30 | 2041-12-01 | 104.859 | 4.705 |
| 449 | — | 4.50 | November 17 | 2019-12-01 | 101.289 | 4.340 |
| 440 | — | 4.50 | December 3 | 2019-12-01 | 103.627 | 4.055 |
| 16[4] | — | 5.10 | December 10 | 2053-09-21 | 107.704 | 4.684 |
| 32[4] | — | 5.10 | December 14 | 2058-09-21 | 107.742 | 4.694 |
| 206 | 200 SF | 2.875[5] | December 17 | 2021-12-17 | 100.624 | 2.813 |
| 510 | — | 5.00 | January 18 | 2041-12-01 | 102.071 | 4.871 |
| 382[4] | — | 3.25 | February 5 | 2036-12-01 | 128.605 | 1.886 |
| 105[4] | €75 | 4.14[5] | March 12 | 2030-03-12 | 100.000 | 4.140 |
| 602[6] | — | Various | Various | Various | Various | Various |
| 720[7] | — | Zero-coupon | Various | Various | Various | Various |
| 6[8] | — | Various | Various | Various | Various | Various |
| **9 742** | | | | | | |

P: Preliminary results.

[1] Borrowings in foreign currency given in Canadian equivalent of their value on the date of borrowing.

[2] Interest payable semi-annually except if another frequency is indicated in a note.

[3] Yield to investor is determined on the basis of interest payable semi-annually.

[4] Private borrowings.

[5] Interest payable annually.

[6] Savings products issued by Épargne Placements Québec.

[7] Business Assistance — Immigrant Investor Program.

[8] Borrowings from the Canada Pension Plan Investment Fund.

TABLE D.33

## Québec government
## Borrowings for the Financing Fund in 2009-2010P

| Amount in Canadian dollars | Face value in foreign currency | Interest rate[1] | Date of issue | Date of maturity | Price to investor | Yield to investor[2] |
|---|---|---|---|---|---|---|
| (millions) | | % | | | $ | % |
| **BORROWINGS FOR CONSOLIDATED ENTITIES** | | | | | | |
| 18 | — | 5.00 | April 9 | 2038-12-01 | 98.128 | 5.123 |
| 50 | — | 4.50 | April 24 | 2018-12-01 | 100.983 | 4.373 |
| 249 | — | 6.00 | April 30 | 2012-10-01 | 112.965 | 2.055 |
| 200 | — | 4.50 | May 8 | 2019-12-01 | 100.390 | 4.453 |
| 11 | — | 4.50 | May 15 | 2019-12-01 | 100.574 | 4.431 |
| 330 | — | 4.50 | June 8 | 2019-12-01 | 99.216 | 4.595 |
| 201 | — | 4.50 | August 4 | 2019-12-01 | 100.380 | 4.453 |
| 509 | — | 4.50 | September 3 | 2019-12-01 | 101.728 | 4.289 |
| 197 | — | 5.00 | September 22 | 2041-12-01 | 103.657 | 4.776 |
| 57 | — | 4.50 | November 17 | 2019-12-01 | 101.289 | 4.340 |
| 78 | — | 4.50 | December 3 | 2019-12-01 | 103.627 | 4.055 |
| 515 | — | 4.50 | January 25 | 2019-12-01 | 102.997 | 4.126 |
| **2 415** | | | | | | |

P: Preliminary results.

[1] Interest payable semi-annually except if another frequency is indicated in a note.

[2] Yield to investor is determined on the basis of interest payable semi-annually.

TABLE D.34

## Borrowings by Financement-Québec in 2009-2010P

| Amount in Canadian dollars | Face value in foreign currency | Interest rate[1] | Date of issue | Date of maturity | Price to investor | Yield to investor[2] |
|---|---|---|---|---|---|---|
| (millions) | | % | | | $ | % |
| 51[3] | — | Variable[4] | April 1 | 2014-12-01 | 93.147 | Variable |
| 505 | — | 3.25 | April 6 | 2014-06-01 | 100.959 | 3.047 |
| 69[3] | — | Variable[4] | April 7 | 2014-12-01 | 92.393 | Variable |
| 505 | — | 3.25 | April 29 | 2014-06-01 | 101.090 | 3.017 |
| 29[3] | — | Variable[4] | May 20 | 2014-12-01 | 95.570 | Variable |
| 10[3] | — | Variable[4] | May 26 | 2014-12-01 | 95.577 | Variable |
| 29[3] | — | Variable[4] | May 28 | 2014-12-01 | 95.683 | Variable |
| 97[3] | — | 5.25 | June 1 | 2034-06-01 | 96.823 | 5.485 |
| 19[3] | — | 5.25 | June 5 | 2034-06-01 | 97.447 | 5.438 |
| 29[3] | — | 5.25 | June 9 | 2034-06-01 | 97.888 | 5.405 |
| 34[3] | — | Variable[4] | August 5 | 2014-12-01 | 97.501 | Variable |
| 98[3] | | Variable[4] | August 14 | 2014-12-01 | 97.513 | Variable |
| 245[3] | — | Variable[4] | September 23 | 2014-12-01 | 97.915 | Variable |
| 319 | — | 4.25 | December 4 | 2015-12-01 | 106.419 | 3.069 |
| 292[3] | — | 5.25 | December 17 | 2034-06-01 | 103.633 | 4.991 |
| 499 | — | 3.50 | February 23 | 2016-12-01 | 99.733 | 3.544 |
| 184[3] | — | Variable[4] | March 2 | 2016-06-02 | 100.000 | Variable |
| 20[3] | — | Variable[4] | March 10 | 2016-06-02 | 99.998 | Variable |
| 264[3] | — | 5.25 | March 12 | 2034-06-01 | 104.343 | 4.940 |
| 20[3] | — | Variable[4] | March 12 | 2016-06-02 | 99.997 | Variable |
| **3 318** | | | | | | |

P: Preliminary results.

[1] Interest payable semi-annually except if another frequency is indicated in a note.

[2] Yield to investor is determined on the basis of interest payable semi-annually.

[3] Private borrowings.

[4] Interest payable quarterly.

TABLE D.35

## Borrowings by Hydro-Québec in 2009[1]

| Amount in Canadian dollars | Face value in foreign currency | Interest rate[2] | Date of issue | Date of maturity | Price to investor | Yield to investor[3] |
|---:|:---:|---:|---:|---:|---:|---:|
| (millions) | | % | | | $ | % |
| 508 | — | 5.00 | January 15 | 2050-02-15 | 101.632 | 4.905 |
| 501 | — | 5.00 | January 29 | 2050-02-15 | 100.171 | 4.988 |
| 14 | — | 4.205 | March 2 | 2017-03-02 | 100.000 | 4.205 |
| 15 | — | 4.678 | March 2 | 2019-03-02 | 100.000 | 4.678 |
| 1 000 | — | Variable[4] | June 22 | 2014-02-20 | 100.000 | Variable |
| 767 | — | Variable[4] | September 17 | 2014-02-20 | 100.956 | Variable |
| 303 | — | Variable[4] | September 21 | 2014-02-20 | 101.086 | Variable |
| 20 | — | Zero-coupon | October 14 | 2017-04-15 | 73.346 | 4.216 |
| 19 | — | Zero-coupon | October 14 | 2022-04-15 | 52.450 | 5.294 |
| 20 | — | Zero-coupon | October 14 | 2027-04-15 | 39.108 | 5.507 |
| 517 | — | 5.00 | November 12 | 2050-02-15 | 103.360 | 4.809 |
| 523 | — | 5.00 | December 10 | 2050-02-15 | 104.625 | 4.740 |
| **4 207** | | | | | | |

[1] Borrowings contracted from January 1 to December 31, 2009.
[2] Interest payable semi-annually except if another frequency is indicated in a note.
[3] Yield to investor is determined on the basis of interest payable semi-annually.
[4] Interest payable quarterly.

# Section E

## Update on Federal Transfers

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2. EQUALIZATION: MYTHS AND REALITY .......... E.5

   2.1 Why have an equalization program? .......... E.5

   2.2 The cost of Canada's equalization program .......... E.7

   2.3 Redistribution within the Canadian federation .......... E.9

   2.4 Québec's share of the equalization envelope .......... E.12

   2.5 How Québec funds its programs .......... E.13

3. PRIORITY ISSUES THAT NEED TO BE SETTLED .......... E.19

   3.1 Compensate Québec for harmonizing the QST with the GST .......... E.19

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4. CONCLUSION .......... E.29

## 1. INTRODUCTION

Over the past year, the equalization program has been the subject of debate, at times heated, among some of Canada's political observers and players. Québec has also sometimes been the target of their criticism. Some have openly called on the federal government to cut and even scrap equalization.

That is why the Québec government welcomed the decision announced in the federal government's budget delivered on March 4, 2010, namely, that it "will not cut major transfers to other levels of government in support of health care and social services [and] Equalization...".[1]

Given the important issues at stake and the inaccuracy of some of the comments made, this section sets the record straight about the equalization program and Québec's budgetary and fiscal choices.

Furthermore, in recent years, the Québec government has argued for fiscal arrangements that are based on sound principles, that is, arrangements that are adequate, predictable and fair for all partners in the Canadian federation.

Major issues remain outstanding[2] and the talks must continue, particularly as we head towards the renewal of the main transfer programs to the provinces, which are set to end in 2013-2014 under the federal legislation.

However, a number of priority issues need to be resolved so that Québec receives comparable treatment to that offered by the federal government to several other provinces in recent years. This section addresses these issues as well.

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[1] DEPARTMENT OF FINANCE CANADA, *Canada's Economic Action Plan: Year 2 - Budget 2010: Leading the Way on Jobs and Growth*, March 4, 2010, page 156.

[2] The main issues are presented in Section G of the *2009-2010 Budget Plan*.

## 2. EQUALIZATION: MYTHS AND REALITY

The Québec government is of the opinion that the equalization program is a fundamental component of Canadian fiscal federalism and has always advocated for a program that is adequate, fair and based on solid principles.

The Québec government disagrees with the unfounded criticism based on partial and erroneous analysis that has been levelled in recent months regarding both the equalization program and Québec's budgetary and fiscal choices.

This section discusses:

- the rationale for an equalization program;
- the cost of Canada's equalization program;
- redistribution within the Canadian federation;
- Québec's share of the equalization envelope;
- how Québec funds its programs.

### 2.1 Why have an equalization program?

Like many of the world's federations, Canada implemented an equalization program to reduce disparities in fiscal capacity among the provinces.

The purpose of Canada's equalization program was entrenched in subsection 36(2) of the Constitution Act, 1982:

> Parliament and the government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.

The equalization program is paid by the federal government out of the revenues it collects throughout Canada. That means that every Canadian taxpayer, including those who live in Québec, funds their share of equalization payments.

An equalization program is first of all an expression of the concept that a country's economic development must benefit all of its citizens, regardless of where they live. It's the opposite of the concept of "every man for himself".

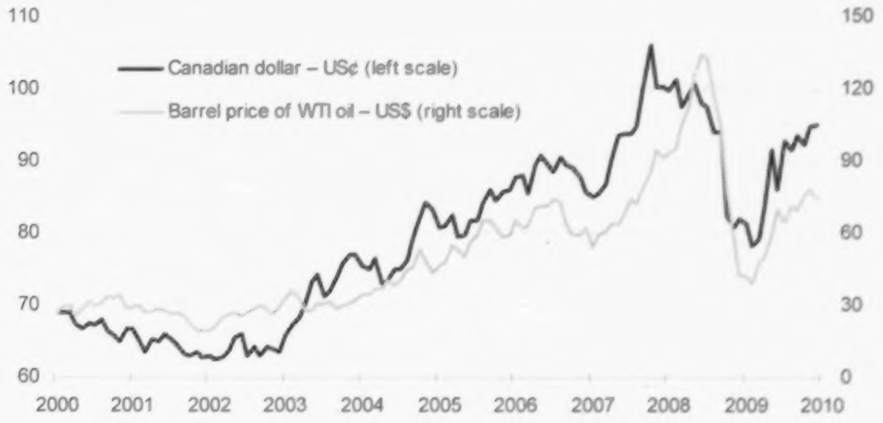
Equalization is also necessary to ensure true federalism in a federation as decentralized as Canada's. While the Canadian provinces have substantial responsibilities and fiscal autonomy, they do not have the same financial resources owing to disparities in the ability to pay that exist among them.

Equalization also allows for efficient allocation of factors of production among the different regions of a country. Without equalization, citizens or businesses could decide to move to more affluent provinces for the sole purpose of receiving the public services that those provinces can deliver at lower tax levels.

Lastly, equalization can attenuate the regional impacts of national macroeconomic or monetary policies. For example, the Bank of Canada has a policy of controlling inflation – rather than keeping the value of the dollar stable. As a result, the exchange rate for the Canadian dollar fluctuates in step with economic conditions and is strongly influenced by changes in commodity prices. The following chart shows the exchange rate relative to the price of a barrel of oil over the last ten years.

CHART E.1

**Exchange rate and price of a barrel of oil**
(US cents and dollars)



Source: Bloomberg.

A rise in the world price of a barrel of oil favours provinces that have that resource. However, the rise in the Canadian dollar that accompanies the rising price of oil hampers the exports of the other provinces. An adequate equalization program can mitigate this phenomenon by increasing the revenues of provinces that are negatively affected by the rise in the dollar, without reducing the revenues of provinces that benefit from the higher price of oil.

Accordingly, equalization is a true pillar of federalism that demands rigorous analysis.

## 2.2 The cost of Canada's equalization program

Some maintain that the existing equalization program is adequate simply because the program's cost has grown over the last few years and will continue to do so, over the next few years, at the rate of growth in nominal gross domestic product (GDP) in Canada. Others argue that the equalization program is too expensive and advance measures to cut it back or even scrap it.

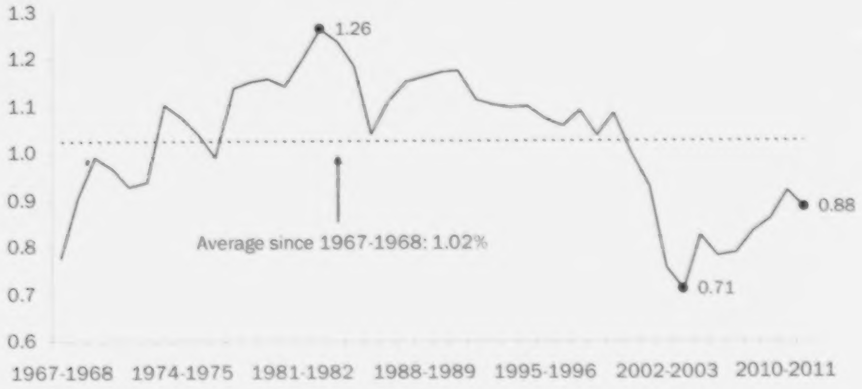
To check whether these affirmations are well-founded, it is worthwhile examining whether, historically or internationally, Canada's equalization program is abnormally expensive.

When compared to Canada's collective wealth, i.e. its GDP, the cost of the equalization program is much lower now than in the past. In 2010-2011, the cost of the equalization program amounts to 0.88% of Canada's nominal GDP, significantly below the historical annual average of 1.02% since 1967-1968. If the cost of the equalization program were to correspond to the historical average, it would be $2.3 billion higher in 2010-2011.

CHART E.2

### Equalization as a proportion of Canada's nominal GDP

(per cent)



Sources: Department of Finance Canada and Statistics Canada.

Canada's equalization program is also less costly than the average for countries of the Organization for Economic Cooperation and Development (OECD) that have such a mechanism. According to an OECD study[3] published in 2007, equalization represents an average of 2.3% of GDP among the 16 countries studied, compared with 1.0% in Canada.

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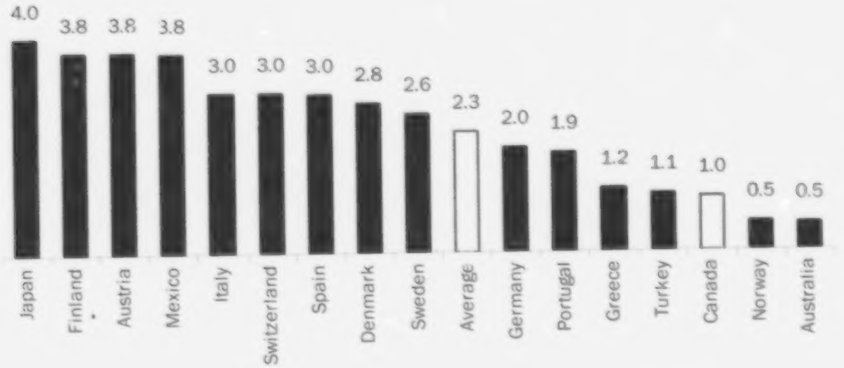
[3] OECD, Fiscal Equalisation in OECD Countries, [online], September 2007, <http://www.oecd.org/dataoecd/51/6/39234016.pdf>.

CHART E.3

**Equalization as a proportion of GDP in certain OECD countries in 2004[1]**
(per cent)



1 For Canada, the ratio includes Territorial Formula Financing.
Source: OECD, *Fiscal Equalisation in OECD Countries*, September 2007.

## 2.3 Redistribution within the Canadian federation

Some say there is too much redistribution within the Canadian federation, mainly from taxpayers in Alberta and Ontario towards the rest of the country in general and Québec in particular. Some also say that Québec is the main beneficiary of a multitude of federal programs funded by taxpayers in the other provinces.

### ☐ Provincial economic accounts

The latter criticism is often based on figures from the provincial economic accounts (PEA) published by Statistics Canada. The PEA indicate the federal administration's balance by province. A federal deficit in a province means that the federal government's revenue collected in the province is less than its expenditures there, and vice versa. The most recent data are for 2007 and were released in November 2009.

It should be noted that a degree of caution is needed in how the PEA are used to assess inter-provincial redistribution in Canada. In this regard, Statistics Canada noted in the February 2007 *Canadian Economic Observer*:

> As a result, performing a cost-benefit analysis of Confederation simply using the federal government revenue and expenditure estimates of the PEA is erroneous. The fiscal arrangements in our confederation are far more subtle than that [...] While the federal government may, for example, transfer money to the Atlantic Provinces under the equalization program, that money might then be used to purchase medical equipment manufactured in Ontario. (pages 3.2 and 3.3).

Having said that, the following table shows the federal government balance in Canada and in each province, for the period 1981-2007, in constant per capita dollars.[4] For that period, the table shows the following trend:

— The federal government is in a surplus position in only three provinces. It is in a deficit position in the other seven.

— Of the seven provinces where the federal government is in deficit, Québec is, by far, the province with the lowest federal deficit.

— The federal deficit in Québec was roughly $434 per capita on average from 2003 to 2007, i.e. the federal government spent $434 more per capita in Québec than it collected in revenue.

— In the six other provinces where the federal government was in a deficit position, the deficit ranged from $2 038 to $5 630 per capita on average from 2003 to 2007.

— The $434 per capita federal deficit in Québec is also less than the amount of equalization Québec received during the period from 2003 to 2007, which averaged $622 per capita. It should be noted that equalization is included in PEA data.

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[4] The figures are expressed in 2002 dollars per capita to remove the effect of the relative size of the provinces as well as changes in prices over the period examined.

TABLE E.1

## The federal government's budget balance by province

(2002 dollars per capita)

| | Can. | Alta. | Ont. | B.C. | Que. | Sask. | Man. | N.B. | N.S. | P.E.I. | N.L. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1981 | **-649** | 4 090 | 604 | 222 | **-2 163** | -300 | -2 222 | -6 380 | -7 283 | -6 410 | -5 496 |
| 1982 | **-1 364** | 3 175 | -121 | -911 | **-2 725** | -1 763 | -2 764 | -6 303 | -7 303 | -7 030 | -6 812 |
| 1983 | **-1 705** | 1 611 | -304 | -1 391 | **-2 819** | -2 627 | -3 120 | -5 617 | -7 539 | -6 852 | -7 492 |
| 1984 | **-1 958** | 970 | -352 | -1 807 | **-2 920** | -3 598 | -3 646 | -5 946 | -8 105 | -8 097 | -7 846 |
| 1985 | **-2 112** | 908 | -462 | -2 030 | **-3 005** | -4 154 | -4 007 | -6 474 | -7 657 | -8 209 | -9 122 |
| 1986 | **-1 448** | -306 | 596 | -1 497 | **-2 039** | -4 712 | -3 551 | -5 387 | -6 917 | -7 240 | -8 314 |
| 1987 | **-1 197** | -401 | 895 | -1 158 | **-1 806** | -4 793 | -3 632 | -5 288 | -6 286 | -6 979 | -7 322 |
| 1988 | **-1 124** | -589 | 1 102 | -1 013 | **-1 801** | -4 521 | -3 897 | -5 417 | -6 611 | -7 593 | -7 350 |
| 1989 | **-1 111** | -610 | 1 029 | -879 | **-1 886** | -3 806 | -3 778 | -5 596 | -6 570 | -7 745 | -7 269 |
| 1990 | **-1 272** | -302 | 615 | -747 | **-2 032** | -4 109 | -3 729 | -5 806 | -6 662 | -7 864 | -7 695 |
| 1991 | **-1 363** | -225 | 103 | -445 | **-2 056** | -4 069 | -3 836 | -5 226 | -5 987 | -6 902 | -7 005 |
| 1992 | **-1 283** | -189 | 135 | -185 | **-2 006** | -3 848 | -3 448 | -5 450 | -5 896 | -6 870 | -7 474 |
| 1993 | **-1 402** | 224 | -185 | -198 | **-2 255** | -3 556 | -3 460 | -5 134 | -6 086 | -6 364 | -7 294 |
| 1994 | **-1 223** | 501 | 16 | 3 | **-2 059** | -3 227 | -3 720 | -4 990 | -6 364 | -6 226 | -7 473 |
| 1995 | **-1 052** | 594 | 224 | 124 | **-2 048** | -2 549 | -3 498 | -4 845 | -6 112 | -5 936 | -6 951 |
| 1996 | **-468** | 1 143 | 869 | 676 | **-1 340** | -3 238 | -3 265 | -4 366 | -5 489 | -4 873 | -6 295 |
| 1997 | **407** | 2 317 | 1 816 | 1 074 | **-558** | -1 481 | -2 307 | -3 769 | -4 555 | -4 918 | -5 584 |
| 1998 | **439** | 2 463 | 2 008 | 830 | **-641** | -1 600 | -2 176 | -4 029 | -4 383 | -5 218 | -6 350 |
| 1999 | **488** | 2 316 | 2 240 | 630 | **-555** | -2 143 | -2 524 | -4 066 | -4 346 | -5 584 | -6 218 |
| 2000 | **848** | 2 829 | 2 573 | 868 | **-169** | -1 945 | -2 419 | -3 564 | -4 230 | -5 100 | -5 178 |
| 2001 | **570** | 2 768 | 2 188 | 628 | **-468** | -2 024 | -2 628 | -4 009 | -4 601 | -5 836 | -5 328 |
| 2002 | **463** | 2 719 | 1 829 | 377 | **-351** | -1 581 | -2 626 | -3 777 | -4 510 | -5 070 | -5 135 |
| 2003 | **317** | 2 457 | 1 542 | 423 | **-370** | -2 022 | -2 971 | -3 977 | -4 397 | -5 047 | -4 561 |
| 2004 | **516** | 2 857 | 1 691 | 552 | **-111** | -2 625 | -2 679 | -3 770 | -4 143 | -4 766 | -3 935 |
| 2005 | **260** | 3 602 | 1 527 | 503 | **-511** | -2 287 | -3 471 | -4 684 | -6 088 | -5 632 | -8 938 |
| 2006 | **524** | 4 317 | 1 580 | 913 | **-607** | -1 975 | -3 214 | -4 458 | -5 080 | -5 337 | -4 648 |
| 2007 | **623** | 4 998 | 1 500 | 1 215 | **-570** | -1 280 | -3 093 | -4 480 | -5 293 | -5 493 | -6 068 |
| Average from 2003 to 2007 | **448** | 3 646 | 1 568 | 721 | **-434** | -2 038 | -3 086 | -4 274 | -5 000 | -5 255 | -5 630 |

Note: Equalization is included in provincial economic accounts (PEA) data.

Source: Statistics Canada.

It should be noted that these figures date from 2007 and do not reflect the fact that, since then, the federal government has fallen back into deficit and has implemented economic stimulus measures that have benefited the provinces. For example, the automobile industry recently received assistance of $9.7 billion.

Accordingly, the claim that Québec is the main beneficiary of redistribution in Canada is not supported by the data used by those who currently criticize this redistribution.

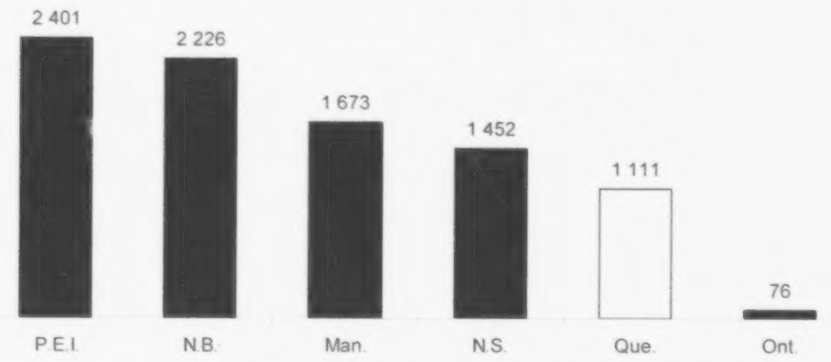
## 2.4 Québec's share of the equalization envelope

Some argue that Québec is the largest beneficiary of equalization because, in 2010-2011, it is receiving $8.6 of the $14.4 billion allocated to this program by the federal government.

This argument ignores the fact that equalization is calculated on a per capita payments basis. In 2010-2011, per capita payments to Québec are the lowest among the six recipient provinces, after Ontario. Québec receives a relatively large share of the equalization envelope because of its population of 7.9 million.

CHART E.4

**Equalization payments in 2010-2011, including "protection payments"[1]**
(dollars per capita)



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[1] For 2010-2011, the federal government announced "protection payments" totalling $525 million for certain provinces (Newfoundland and Labrador, Prince Edward Island, New Brunswick, Nova Scotia, Manitoba, Saskatchewan) to prevent a decline in the total of the main federal transfers compared to 2009-2010. Québec did not receive such payments.

Source: Department of Finance Canada.

## 2.5 How Québec funds its programs

According to a frequent criticism, Québec is able to provide services that are not available elsewhere in Canada thanks to the equalization it receives. We will see that:

- the experts who have examined the question have rejected that conclusion;
- Québec funds its choices through higher taxes;
- Québec must also maintain a heavier tax burden than the Canadian average because of shortcomings in the current equalization program.

### ☐ Experts have shown that this criticism is groundless

It is true that Québec has elected to offer many programs not available, or funded more extensively by user fees, in the other provinces.

That is a feature of a federation where, unlike a unitary state, each province can decide to exercise its constitutional authorities as it sees fit.

Canada's equalization program was designed to reflect this fundamental reality.

- The provinces are not required to offer similar programs or implement identical tax systems.
- However, if a province decides to offer a level of service comparable to the Canadian average, it must be in a position to do so without having to impose a tax burden heavier than the Canadian average.

That is why equalization in Canada, in general, seeks to enable the provinces to attain a "minimum" level of capacity to fund public services.

Once this "minimum" level is secured by equalization, provinces are completely free to decide whether to:

— offer fewer services than the others and reduce their tax burden accordingly; or

— offer more services than the others and increase their tax burden accordingly.[5]

Hence, an analysis based solely on the presence (or not) of equalization payments and the presence (or not) of more generous services could not support the conclusion that equalization funds these more generous services. Such an analysis would be incomplete and could mislead readers.[6]

A rigorous analysis of this question must cover all provincial sources of revenue to see whether the disparity in terms of services can be explained by equalization or by higher own-source revenue.

In recent years, two groups of experts carried out this exercise.

The first is the Expert Panel on Equalization and Territorial Formula Financing, set up by the federal government in 2005. It was chaired by Al O'Brien, a former deputy Minister of Finance of Alberta. In its report released in 2006, the "O'Brien Panel" concluded:

> [...] in all provinces the majority of the costs of public services are paid for by their own sources of revenues other than Equalization payments. However, in several of the receiving provinces, the absence of Equalization payments would make it difficult for them to deliver reasonably comparable public services to their residents.[7]

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[5] The report of the Royal Commission on Dominion-Provincial Relations (the "Rowell-Sirois Commission"), published in 1940, was the first to propose an equalization program in Canada. In the commission's view, such a program should have the following features: "An increase in the adjustment grant whenever a provincial government established that it could not supply Canadian average standards of service and balance its budget without taxation (provincial and municipal) appreciably exceeding the national average. [...] If a province chooses to provide inferior services and impose lower taxation, it is free to do so, or it may provide better services than the average if its people are willing to be taxed accordingly...". (p. 83 and 84 of the report)

[6] For example, such is the case in a study entitled *The Real Have-Nots in Confederation: Ontario, Alberta and British Columbia*, published in February 2010 by the Frontier Center for Public Policy, based in Winnipeg, which contains no analysis of disparities in tax burden resulting from provincial tax systems, before concluding that equalization is the source of the differences observed in terms of programs offered by the provinces.

[7] EXPERT PANEL ON EQUALIZATION AND TERRITORIAL FORMULA FINANCING, *Achieving a National Purpose: Putting Equalization Back on Track*, May 2006, p. 34.

In December 2009, the Advisory Committee on the Economy and Public Finances, set up by the Minister of Finance of Québec, released the first of three documents in which it reached the following conclusion:

> Even when the contribution of federal transfers is considered, Québec spends more than the other provinces. Accordingly, this additional spending is not funded by federal transfers. [...] Québec funds its additional spending by means of taxes and by incurring debt.[8]

### ☐ Québec funds its choices on its own

Québec's tax system generates more revenue than those of the other provinces. For example, had Québec applied Alberta's personal income tax structure in 2009, it would have collected $5.1 billion less.

Accordingly, .Alberta's personal income tax system would not enable Québec to collect sufficient revenue to fund, for example, a generous child care program, a prescription drug insurance plan or maintain lower tuition fees.

The same is true of the Québec sales tax, which generated more than $10 billion in revenue in 2009-2010. Alberta has chosen not to have a sales tax.

Accordingly, equalization seeks to enable Québec, like the other recipient provinces, to have a capacity to fund public services that is comparable to the Canadian average. However, Québec funds its programs that are more generous than the Canadian average with taxes that are higher than the Canadian average.

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[8] ADVISORY COMMITTEE ON THE ECONOMY AND PUBLIC FINANCES, *Québec and Its Challenges – Extensive public services, constrained leeway and emerging challenges*, Document 1, Gouvernement du Québec, December 2009, p. 21.

### Does Alberta's oil sands revenue fund Québec's social programs?

Some people say that Québec benefits from the development of Alberta's oil sands thanks to the equalization it receives, thus enabling it to fund its social programs.

There is no link between the equalization Québec receives and its choices regarding public services. Québec funds its programs that are more generous than the Canadian average with taxes that are higher than the Canadian average.

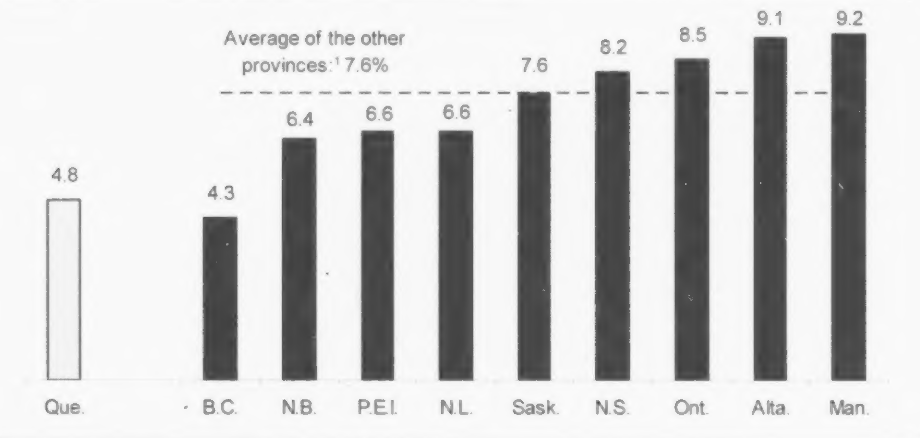
More specifically, there is no link between Alberta's oil sands and Québec's programs because there is no longer any link between the revenue Alberta derives from its oil sands and the amount of equalization payments Québec receives.

As a result of the caps imposed on the equalization program in November 2008, Québec will receive $8 552 million in 2010-2011, whether or not Alberta's oil sands are included in the program.

Moreover, from 2003-2004 to 2009-2010, program spending growth in Québec averaged 4.8% per year, the lowest rate among the provinces after British Columbia. Over the same period, program spending growth averaged 7.6% for the other provinces.

CHART E.5

**Annual growth in program spending between 2003-2004 and 2009-2010$^P$**
(per cent)



P: Preliminary figures for 2009-2010, based on the figures available on March 20, 2010.
1 Weighted average.
Sources: Public accounts and budgets of the provinces.

## ❑ Québec must collect more tax because of shortcomings in equalization

Funding different choices regarding public services is not the only factor accounting for Québec's heavier tax burden.

This burden is also attributable in part to the disparity between Québec's fiscal capacity after equalization and that of the average of the ten provinces. Because, in particular, of the caps the federal government has applied since the fall of 2008,[9] the recipient provinces do not, under the existing equalization program, have a fiscal capacity equal to the Canadian average.

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[9] Section G of the *2009-2010 Budget Plan* contains a presentation of the changes and cap mechanisms the federal government implemented in the fall of 2008.

## 3. PRIORITY ISSUES THAT NEED TO BE SETTLED

In recent years, Québec has raised a number of issues relating to federal transfers. This section reviews the priority issues that the Québec government would like to settle with the federal government, namely:

- compensation to Québec for sales tax harmonization;
- the treatment of Hydro-Québec's revenue in the equalization program;
- a fair way to reduce the cost of the equalization program, considering that the federal government is maintaining the limits imposed on the program's growth;
- systematic application of "protection payments" offered to some provinces;
- a settlement of the dispute concerning the revenue stabilization program.

### 3.1 Compensate Québec for harmonizing the QST with the GST

Québec was the first province to harmonize its sales tax with the GST, on July 1, 1992. However, of the six provinces that have harmonized their sales tax, Québec is still the only one not to have received financial compensation from the federal government.

TABLE E.2

**Compensation paid by the federal government on account of sales tax harmonization**

| Provinces | Year of the announcement | Amount ($ million) | Amount ($ per capita) |
|---|---|---|---|
| Newfoundland and Labrador | 1997 | 348 | 605 |
| Nova Scotia | 1997 | 249 | 265 |
| New Brunswick | 1997 | 364 | 479 |
| Ontario | 2009 | 4 300 | 329 |
| British Columbia | 2009 | 1 599 | 359 |
| **TOTAL** | | **6 860** | |

Sources: Department of Finance Canada, Ministère des Finances du Québec and Statistics Canada.

Québec has been asking for fair treatment on this issue for many years. The day after the announcement of an agreement with Ontario, on March 27, 2009, Québec reiterated this demand. It estimated it was entitled to compensation of $2.6 billion, the same amount as Ontario on a per capita basis. That is the amount mentioned in the resolutions unanimously passed by the National Assembly on March 31, 2009 and by the House of Commons on April 29, 2009.

**Resolution of the National Assembly passed unanimously March 31, 2009**

"Whereas Québec was the first province to harmonize with the Federal goods and services tax (GST) in the early 1990s;

Whereas since then, three Atlantic provinces have harmonized with the GST in 1997 and have received compensation for this from the Federal Government totalling close to $1 billion;

Whereas the Government of Ontario announced that it would harmonize its sales tax with the GST beginning on July 1, 2010;

Whereas the Federal Government will grant a $4.3 billion compensation to Ontario for this harmonization, an amount that is justified in the Canada-Ontario memorandum of understanding particularly owing to the desire to stimulate economic growth and job creation, and the Federal Government will administer this new provincial tax free of charge on behalf of Ontario;

Whereas the Ontario sales tax will be very similar to the Québec sales tax (QST) since certain goods, such as books, will not be subject to the provincial tax and that input tax refunds in Ontario may be identical to those agreed to by Québec for an 8-year period;

Whereas Ontario is the fourth province to receive compensation from the Federal Government as part of the harmonization of the provincial and federal sales taxes, while Québec has not received any compensation to this day even though it was the first province to harmonize its sales tax;

Be it resolved that the National Assembly ask the Federal Government to treat Québec justly and equitably, by granting compensation that is comparable to that offered to Ontario for the harmonization of its sales tax with the GST, which would represent an amount of 2.6 billion dollars for Québec."

**Motion of the House of Commons passed unanimously April 29, 2009**

"That, in the opinion of the House, the government should negotiate in good faith with the Government of Quebec to resolve the dispute dating back over ten years regarding the harmonization of the QST with the GST in the early 1990s and agree to provide $2.6 billion in compensation to Quebec for this harmonization, and that Quebec continue to administer these harmonized taxes."

The federal government has thus agreed to Québec's retaining its QST and continuing to administer the GST and QST on its territory. Québec, for its part, has agreed to make technical changes to the QST to make it more similar to the GST, even though it is already substantially harmonized.

In the course of these negotiations, the federal government argued that the compensation offered to each province corresponds to 1.5 points of forecast GST between July 2010 and June 2011 on its territory. This calculation, which was used to set Ontario's compensation at $4.3 billion and British Columbia's at $1.6 billion, would establish Québec's compensation at $2.2 billion. Québec indicated that it would accept compensation on that basis and hoped for a quick decision from the federal government in this regard.

It should also be noted that the federal government is handling, free of charge, the administration of the harmonized sales tax in the provinces where it applies, while Québec is assuming its share of the administration costs of the GST and QST in accordance with an agreement entered into in the early 1990s, almost 20 years ago.

## 3.2 Fair treatment of Hydro-Québec's revenue in the equalization program

As explained in detail in section G of the *2009-2010 Budget Plan*, the revenue Hydro-Québec earns from the transmission and distribution of power is no longer treated fairly in the equalization formula.

Among the changes the federal government announced in the fall of 2008, it indicated that it would henceforth include the dividends Hydro One pays to the Ontario government in the corporate income tax base rather than the natural resources base as had previously been the case. Hydro One is a government business enterprise that transmits and distributes electricity in Ontario.

In contrast, the federal government continues to include all the dividends paid by Hydro-Québec to the Québec government in the natural resources base, even though, as is the case with Hydro One, a large portion of these dividends stems from electricity transmission and distribution. The result is that identical activities are treated unfairly.

TABLE E.3

**Treatment of the revenues of Québec and Ontario derived from the production, transmission and distribution of electricity under equalization**

| | ONTARIO | | QUÉBEC | |
|---|---|---|---|---|
| | **Government corporation** | **Treatment under equalization** | **Government corporation** | **Treatment under equalization** |
| **Production** | Ontario Power Generation | Natural resources | HQ Production | Natural resources |
| **Transmission** | Hydro One | **Corporate income tax** | HQ TransÉnergie | Natural resources |
| **Distribution** | Hydro One | **Corporate income tax** | HQ Distribution | Natural resources |

Source: Ministère des Finances du Québec.

Correcting this unfair treatment would increase Québec's equalization entitlements by more than $250 million per year.

Québec has provided the federal government with all the data necessary to effect the requested change. However, despite repeated requests by Québec, the federal government has shown little urgency in correcting this situation.

The federal government has proposed multilateral discussions on the question, examining in detail all the questions affecting equalization of revenues from natural resources. Québec wants an immediate resolution to the specific question of the treatment of Hydro-Québec's dividends in the equalization program. As for the other questions raised by the federal government, Québec intends to participate fully in the discussions and deliberations.

## 3.3 Reducing the cost of the equalization program fairly

In March 2007, the federal government announced, in its budget, that it would implement the reform of equalization recommended by the O'Brien Panel, a reform based on a formula and solid principles. This reform, which the federal government then presented as one of the components of its solution to the fiscal imbalance, broadly satisfied Québec's expectations.

In a letter sent to the Premier of Québec March 19, 2007, the Prime Minister of Canada stated that the 2007 federal budget marked "a fundamental return to fiscal fairness in Canada" and that "all governments will now have resources on a principle-based, predictable and long-term footing to carry out their responsibilities". [TRANSLATION]

In November 2008, the federal government changed the equalization program, without notice, by introducing new cap mechanisms to limit the program's cost.

In that regard, the O'Brien Panel indicated, on page 67 of its report, that:

> Any material changes to the Equalization program, particularly funding changes (e.g.., any scaling back of the overall amount allocated by the federal government to the Equalization program), made within the five-year renewal period should be the subject of a public discussion paper.

The changes made to equalization on November 3, 2008 were not made the subject of a public discussion paper beforehand.

Moreover, the way the caps are calculated introduces unfairness among the recipient provinces. The level of fiscal capacity per capita of the recipient provinces, after equalization, varies among these provinces.

A fairer way to bring the cost of the equalization program to the level chosen by the federal government would be to apply an equal dollar per capita reduction of provincial equalization entitlements to the result of the "O'Brien formula".[10]

Such a method would have no impact on the total cost of the program for the federal government, but would result in a fairer allocation of equalization amounts among the provinces. As an illustration, in 2010-2011, this approach would have resulted in additional revenue of $357 million for Québec.

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[10] This solution had been suggested by the Advisory Panel on Fiscal Imbalance, set up by the Council of the Federation, in a report released in 2006. On page 86 of its report, the panel states: "[...] the best course in these circumstances would be to scale back the standard. Reducing the overall cost in this way would not change the distribution of fiscal resources among the provinces; it would simply lower on an equal per capita basis the amount all received."

It should be mentioned that this fair approach could be applied without creating a negative impact on each province if the federal government were to agree to increase the equalization envelope accordingly.

TABLE E.4

### Impact of a fair distribution of the caps on equalization in 2010-2011[1]

| | Fiscal capacity after equalization, current situation | Fiscal capacity after equalization, after fair allocation of caps | Impact on equalization payments of the provinces | |
|---|---|---|---|---|
| | $ per capita | $ per capita | $ per capita | $ million |
| P.E.I. | 7 084 | 7 036 | – 48 | – 7 |
| N.S. | 6 673 | 7 036 | 362 | 340 |
| N.B. | 7 072 | 7 036 | – 37 | – 27 |
| **Québec** | **6 990** | **7 036** | **46** | **357** |
| Ontario | 7 084 | 7 036 | – 48 | – 617 |
| Manitoba | 7 075 | 7 036 | – 39 | – 46 |
| **TOTAL** | | | | **0** |

Note: This fair approach could be applied without creating a negative impact on the provinces if the federal government were to agree to raise the amount of the equalization envelope accordingly.

[1] Calculation for illustration purposes that does not include "protection payments" made by the federal government to certain provinces in 2010-2011. Neither does it include the settlement of the issue relating to Hydro-Québec described in section 3.2.

Sources: Department of Finance Canada and Ministère des Finances du Québec.

It is worth noting that this solution would be fair on the basis of the equalization formula recommended by the O'Brien Panel, which includes only 50% of natural resources revenues and excludes the agreements on offshore oil reached with certain provinces. Despite the proposed solution, differences in fiscal capacity after equalization would remain among the provinces because of these two factors.

## Agreements on offshore resources

In the mid-1980s and in 2005, Newfoundland and Labrador and Nova Scotia reached agreements on offshore resources (oil and natural gas) with the federal government.

The amount paid to them ensures complete protection against reductions in their equalization payments resulting from the inclusion in the program of the revenues these provinces derive from their offshore resources. The payments under these agreements are paid outside the equalization envelope.

Note that since 2008-2009, Newfoundland and Labrador does not receive compensating payments under the 2005 agreement since it no longer receives equalization. It only receives compensating payments under the 1985 agreement. However, it did receive an advance payment of $2 billion in 2005 from the federal government under this agreement, all of which it is allowed to keep. The figures provided by the Department of Finance Canada show that this province should have received only $847 million under this agreement since 2004-2005.

**Payments to Newfoundland and Labrador and Nova Scotia under agreements on offshore resources**
(millions of dollars)

| | Newfoundland and Labrador | Nova Scotia |
|---|---|---|
| 1993-1994 | 0 | 20 |
| 1994-1995 | 0 | 4 |
| 1995-1996 | 0 | 3 |
| 1996-1997 | 0 | 3 |
| 1997-1998 | 0 | 2 |
| 1998-1999 | 0 | 1 |
| 1999-2000 | 0 | 0 |
| 2000-2001 | 0 | 0 |
| 2001-2002 | 51 | 0 |
| 2002-2003 | 177 | 0 |
| 2003-2004 | 218 | 21 |
| 2004-2005 | 2 096 | 843 |
| 2005-2006 | 0 | 4 |
| 2006-2007 | 110 | 0 |
| 2007-2008 | 189 | 0 |
| 2008-2009 | 557 | 0 |
| 2009-2010 | 465 | 0 |
| 2010-2011 | 389 | 0 |
| **TOTAL** | **4 252** | **901** |

Note: Under the 2005 offshore agreements, Newfoundland and Labrador and Nova Scotia received payments of $2 billin and $830 million respectively in 2004-2005.

Source: Deprtment of Finance Canada.

## 3.4 Make the use of "protection payments" systematic

For many years now, the federal government has provided "transitional" or "protection" payments to certain provinces to prevent their equalization payments or other transfer payments from declining from one year to the next.

Such mechanisms have been used many times since 2004-2005 by the federal government, resulting in payments of at least $1.9 billion.

These payments have been provided even though the increase in relative wealth of certain provinces compared to the average of the ten provinces justified a reduction in their equalization payments.

As a result, provinces that have grown wealthier compared to the average of the ten provinces have received additional transfers from the federal government, which is contrary to the objectives and the principle of equalization.

Québec also suffered reductions in federal transfers of some $2.4 billion in 2002-2003 and 2003-2004, mainly in equalization. However, Québec did not receive "protection payments" regarding these reductions and is still paying back $238 million per year until March 31, 2016 to the federal government.

Québec has asked the federal government to reopen discussions on the repayment of these amounts in light of the sums subsequently paid over the following years to certain provinces. The federal government has not acted on this request.

It should be noted that, when raised to Québec's scale, the amounts granted to certain provinces are quite significant. For instance, the $582 million paid to Saskatchewan in 2004-2005 would be the equivalent on Québec's scale of $4.4 billion[11] and the $54 million paid to Newfoundland and Labrador in 2006-2007 translates to $808 million on Québec's scale.

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[11] The $582 million Saskatchewan received in 2004-2005 represents $585 per capita. This amount, multiplied by Québec's population in 2004-2005 (7.5 million), gives $4.4 billion.

TABLE E.5

## Examples of "protection payments" made to certain provinces

(millions of dollars)

| | |
|---|---|
| **Individual floor in 2004-2005 (equalization)** | |
| – Saskatchewan | 582 |
| – British Columbia | 192 |
| **Individual floor in 2006-2007 (equalization)** | |
| – Newfoundland and Labrador | 54 |
| – British Columbia | 199 |
| **Transitional payments tied to the changes to the Canada Social Transfer (CST) announced in the 2007 budget** | |
| – Saskatchewan | 60 |
| – British Columbia | 70 |
| **Transitional payments tied to the changes to the equalization formula of November 2008** | |
| – Nova Scotia | 146 |
| – Manitoba | 74 |
| **Protection payments tied to the decline in federal transfers in 2010-2011 compared to 2009-2010 announced at the meeting of Finance Ministers of December 2009** | |
| – Newfoundland and Labrador | 8 |
| – Prince Edward Island | 3 |
| – Nova Scotia | 250 |
| – New Brunswick | 80 |
| – Manitoba | 175 |
| – Saskatchewan | 7 |
| **TOTAL** | **1 900** |

Source: Department of Finance Canada.

The providing of "protection payments", which has become common practice over recent years, should be made systematic so that Québec can qualify for them if, for example, its federal transfer revenues decline from one year to the next, as is currently forecast in 2011-2012.

## 3.5 Settle the dispute over the revenue stabilization program

Almost 15 years ago, Québec launched a lawsuit for $137 million against the federal government following the latter's refusal to make a stabilization payment to Québec for the 1991-1992 fiscal year.

On August 10, 2007, the Federal Court ruled in Québec's favour on most of the items in dispute and concluded that the federal Minister of Finance should consider the Québec government's request for a stabilization payment.

On June 11, 2008, the Federal Court of Appeal, in a unanimous ruling, denied the federal government's appeal only eight days after the end of the hearing. The federal government has not filed an appeal with the Supreme Court.

In recent years, Québec has asked the federal government many times to settle this issue. Despite two court decisions in its favour, Québec has yet to receive a stabilization payment from the federal government for 1991-1992.

## 4. CONCLUSION

Québec supports fiscal arrangements based on sound principles, that is, arrangements that are adequate, predictable and fair for all partners of the Canadian federation.

In this regard, section G of the March 2009 Budgetary Plan laid out a number of issues concerning the main transfer programs funding health, post-secondary education and other social programs, as well as equalization.

These issues have not been resolved and remain a major subject of concern for the Québec government. The discussions must continue, particularly as we head towards the renewal of the main federal transfer programs that are set to end, under the federal legislation, in 2013-2014.

In addition, for the time being, a number of issues must be settled:

- payment of compensation to the Québec government for harmonizing the QST with the GST;
- fair treatment, under equalization, of Hydro-Québec's revenue arising from the transmission and distribution of electricity;
- fair application of the reductions in the equalization program imposed by the federal government since November 2008;
- settlement of the stabilization payment owed to Québec for fiscal year 1991-1992, in accordance with two rulings handed down by the federal courts in Québec's favour on this matter.

Moreover, the providing of "protection payments", which has become common practice in recent years, should be made systematic so that Québec can also qualify for them if, for example, its federal transfer revenues decline from one year to the next, as is currently forecast in 2011-2012.

# Section F

## Report on the Application of the *Balanced Budget Act*

1. AMENDMENTS TO THE *BALANCED BUDGET ACT*....................F.3
2. BUDGETARY BALANCE WITHIN THE MEANING OF THE BALANCED BUDGET ACT....................F.5
3. STATUS OF THE STABILIZATION RESERVE....................F.7
4. A BALANCED BUDGET BY 2013-2014....................F.9

# 1. AMENDMENTS TO THE *BALANCED BUDGET ACT*

As announced in the March 19, 2009 Budget, the government tabled a bill in the National Assembly on May 13 last to amend the *Balanced Budget Act* (R.S.Q., c. E-12.00001) to help it weather the worst global recession since the 1930s. Bill 40, an *Act to amend the Balanced Budget Act and various legislative provisions concerning the implementation of the accounting reform* (2009, c. 38), was assented to September 21, 2009.

The new *Balanced Budget Act*:

— suspends temporarily the government's obligation to achieve a balanced budget for fiscal years 2009-2010 and 2010-2011;

— provides that, for the purposes of gradually returning to a balanced budget in 2013-2014, the government must meet objectives for decreasing budgetary deficits for fiscal years 2011-2012 and 2012-2013, established no later than the tabling of the 2011-2012 Budget;

— stipulates that the revenue and expenditures established in accordance with the government's accounting policies must be balanced for the fiscal year 2013-2014.

As of 2011-2012, the government must fulfil the obligation under the Act to offset any overrun in respect of the set objectives. For example, if the government records an overrun of less than $1 billion in relation to the decreasing deficit objectives for 2011-2012 and 2012-2013, or the balanced budget objective for the following fiscal years, it must achieve the budgetary objective for the subsequent fiscal year, adjusted by the amount of that overrun.

In addition, the *Balanced Budget Act* establishes a stabilization reserve fund to replace the budgetary reserve provided for in the *Act to establish a budgetary surplus reserve fund* (R.S.Q., c. R-25.1). The stabilization reserve is made up of the surpluses for each fiscal year and its purpose is to facilitate multi-year planning of the government's financial framework. It is used first to maintain a balanced budget and, subsidiarily, for payment of sums into the Generations Fund.

## *Balanced Budget Act*

The *Balanced Budget Act* (R.S.Q., c. E-12.00001) was adopted unanimously by the National Assembly of Québec on December 19, 1996.

Essentially, the Act stipulates that the government must table balanced budgetary forecasts and sets forth the applicable rules in the case of an overrun.

Bill 40 (2009, c. 38), assented to September 21, 2009, substantially amended the *Balanced Budget Act* to, among other things, introduce specific provisions to allow the government to weather the severe global recession in 2009.

Consequently, the provisions of the *Balanced Budget Act* prohibiting a budget deficit do not apply from March 19, 2009, until the end of the period determined by the Minister of Finance no later than the tabling of the 2011-2012 Budget. The Act allows the government to suspend temporarily the achievement of a balanced budget for 2009-2010 and 2010-2011 without being required to offset deficits by achieving surpluses in the following fiscal years.

The Act also provides that the government must achieve the objectives for decreasing budgetary deficits established no later than the tabling of the 2011-2012 Budget. Those objectives must be achieved and, in the case of overruns, will be subject to the offsetting rules set forth in the Act.

Under the Act, the revenue and expenditures established in accordance with the government's accounting policies must be balanced for fiscal year 2013-2014.

If the government records an overrun of less than $1 billion in relation to the decreasing deficit objectives for 2011-2012 and 2012-2013, or the balanced budget objective for the following fiscal years, it must achieve the budgetary objective for the subsequent fiscal year, adjusted by the amount of that overrun.

The Act stipulates that the government may incur overruns for a period of more than one year, where those overruns total at least $1 billion as a result of circumstances defined in the Act.

In such case, the government must apply an offsetting financial plan ensuring that the overruns will be compensated for within a five-year period.

If there is an overrun of more than $1 billion, the Minister of Finance must:

- report to the National Assembly on the circumstances justifying the government in incurring such overruns;
- present a financial plan allowing those overruns to be offset within the five-year period;
- apply offsetting measures covering at least $1 billion within the fiscal year in which such an overrun is anticipated, or during the following year in the case of an actual overrun;
- offset at least 75% of those overruns within the first four fiscal years of that period.

In addition, the Act now stipulates that entries posted to the net debt must be taken into account in calculating the budget balance, except where such entries result from changes made to the accounting policies of the government or any of its enterprises so as to bring them into compliance with a new standard of the Canadian Institute of Chartered Accountants or accounting changes relating to the accounting reform in 2006-2007.

The amended legislation also establishes a stabilization reserve fund[7] to facilitate the government's multi-year budget planning and allow for the subsidiary payment of sums into the Generations Fund. All sums corresponding to the surplus for each fiscal year are allocated to the stabilization reserve fund, whose primary purpose is to maintain a balanced budget.

Lastly, the Act provides that the Minister of Finance must report to the National Assembly in the Budget Speech on the objectives of the Act, their achievement and any variance recorded, and on the operations of the stabilization reserve fund.

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[7] The stabilization reserve fund replaces the budgetary reserve fund provided for in the Act to establish a budgetary surplus reserve fund (R.S.Q., c. R-25.1), which was repealed by Bill 40 (2009, c. 38).

## 2. BUDGETARY BALANCE WITHIN THE MEANING OF THE BALANCED BUDGET ACT

As a result of the amendments made to the *Balanced Budget Act* by Bill 40 (2009, c. 38), the government achieves a balanced budget if the budgetary balance is zero or positive, calculated in accordance with the Act.

As shown in Table F.1, a balanced budget within the meaning of the *Balanced Budget Act* was maintained from 2006-2007 to 2008-2009.

— In 2006-2007 and 2007-2008, the government posted surpluses totalling $2.6 billion placed in reserve.

— In 2008-2009, $1.8 billion was drawn from the reserve to keep the budgetary balance at zero within the meaning of the *Balanced Budget Act*.

TABLE F.1

**Budgetary balance within the meaning of the *Balanced Budget Act* after the entry into force of Bill 40 (2009, c. 38)**
(millions of dollars)

| Fiscal year | Surplus (deficit) entered in the public accounts | Generations Fund | Budgetary balance within the meaning of the Act before reserve | Annual surplus | Stabilization reserve | | Budgetary balance within the meaning of the Act after reserve[1] |
|---|---|---|---|---|---|---|---|
| | | | | | Allocations | Uses | |
| 2006-2007 | 1 993 | − 584 | 1 409 | 1 409 | 1 300[2] | — | 109 |
| 2007-2008 | 1 650 | − 449 | 1 201 | 1 201 | 1 201 | — | 0 |
| 2008-2009 | − 1 258 | − 587 | − 1 845 | — | 109[3] | 1 845 | 0 |
| 2009-2010P | − 3 873 | − 715 | − 4 588 | — | — | 433 | − 4 155[4] |

P Forecasts.

[1] The budgetary balance within the meaning of the Balanced Budget Act after reserve corresponds to the budgetary balance that takes into account the allocations to and uses of the stabilization reserve.

[2] In 2006-2007, only $1 300 million was allocated to the stabilization reserve in accordance with the current legislation. Under the rules of the Balanced Budget Act, the total surplus for each fiscal year must now be allocated to the stabilization reserve.

[3] In accordance with section 20 of Bill 40 (2009, c. 38), the sum of $109 million, corresponding to the difference between the surplus recorded and the surplus anticipated for fiscal year 2006-2007, was allocated to the stabilization reserve in 2008-2009.

[4] In accordance with the Balanced Budget Act, the obligation to attain a balanced budget is suspended in 2009-2010.

Furthermore, as provided for in the 2009-2010 Budget, and in accordance with the Act as amended in 2009, the obligation to achieve a balanced budget was suspended for 2009-2010 and 2010-2011 to allow the government to get through the recession and return to economic growth. The budgetary balance within the meaning of the *Balanced Budget Act* will be in deficit by:

- $4.3 billion for 2009-2010, after accounting for the $433-million balance of the stabilization reserve;
- $4.5 billion for 2010-2011, after accounting for the plan to restore fiscal balance.

Note that the *Balanced Budget Act* does not require the government to offset the deficits in 2009-2010 and 2010-2011 through surpluses in subsequent years.

## 3. STATUS OF THE STABILIZATION RESERVE

The purpose of the stabilization reserve is to facilitate the government's multi-year budget planning. It must be used first to maintain a balanced budget and, subsidiarily, to reduce the debt through the deposit of sums in the Generations Fund.

In accordance with the new *Balanced Budget Act*, the sums corresponding to the surplus for each fiscal year are allocated to the stabilization reserve. A surplus is the amount of a budget balance that is greater than zero. The balance of the stabilization reserve is adjusted on the basis of the recorded surpluses allocated to the reserve or the amounts used from the reserve for each fiscal year.

As shown in Table F.2, the balance of the stabilization reserve stood at $433 million as at March 31, 2009.

TABLE F.2

**Stabilization reserve transactions**
(millions of dollars)

| Fiscal year | Balance, beginning of year | Allocations | Uses | Balance, end of year |
|---|---|---|---|---|
| 2006-2007 | — | 1 300 | — | 1 300 |
| 2007-2008 | 1 300 | 1 201[1] | – 200[2] | 2 301 |
| 2008-2009 | 2 301 | 109[3] | – 1 977[4] | 433 |
| 2009-2010[F] | 433 | — | – 433 | — |
| 2010-2011[F] | — | — | — | — |

[F] Forecasts.

[1] In accordance with the legislation in force prior to Bill 40 (2009, c. 38), this amount includes $484 million corresponding to an additional budget surplus determined at the end of fiscal year 2007-2008 and announced in the 2009-2010 Budget.

[2] The amount of $200 million corresponds to a deposit in the Generations Fund.

[3] This amount corresponds to the balance of the surplus recorded for fiscal 2006-2007.

[4] This amount includes the sum of $1 845 million to maintain a balanced budget and a deposit of $132 million in the Generations Fund.

## ☐ Allocations

The following amounts were allocated out of the stabilization reserve:

- $1.3 billion allocated out of the 2006-2007 surpluses;[1]
- $517 million allocated out of the 2007-2008 surpluses,[2] taking into account a $200-million deposit in the Generations Fund;
- $484 million allocated out of the 2007-2008 surpluses;[3,4]
- $109 million, corresponding to the difference between the surpluses recorded and anticipated for fiscal year 2006-2007 and allocated to the stabilization reserve in 2008-2009.[5]

In 2009-2010 and 2010-2011, no amount will be allocated to the stabilization reserve due to the anticipated budget deficits for those two fiscal years.

## ☐ Uses

Because of the economic recession Québec went through, the government will use the entire amount in the stabilization reserve, as provided for in the 2009-2010 Budget.

The reserve is used as follows:

- $1 977 million in 2008-2009:
  - $1 845 million to maintain a balanced budget;
  - $132 million deposited in the Generations Fund to reduce Québec's debt;
- $433 million in 2009-2010 to reduce the deficit, bringing the balance of the stabilization reserve to zero as at March 31, 2010.

The balance of the stabilization reserve will remain at zero at the end of 2010-2011.

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[1] Amount allocated in the 2007-2008 Budget.

[2] Amount allocated in the 2008-2009 Budget.

[3] Amount allocated in the 2009-2010 Budget.

[4] In accordance with the first paragraph of section 32 of Bill 40 (2009, c. 38), the surpluses totalling $2 501 million allocated to the budgetary reserve fund in the budgets from 2007-2008 to 2009-2010 are deemed allocated to the stabilization reserve fund.

[5] In accordance with the second paragraph of section 32 of Bill 40 (2009, c. 38).

## 4. A BALANCED BUDGET BY 2013-2014

In accordance with the provisions of the *Balanced Budget Act*, the government expects to gradually eliminate its budget deficit by 2013-2014 through a plan to restore fiscal balance.

In keeping with that plan, the budgetary balance within the meaning of the *Balanced Budget Act* determined in the 2010-2011 Budget will improve from a deficit of $4.5 billion in 2010-2011 to:

— a deficit of $2.9 billion in 2011-2012;

— a deficit of $1.2 billion in 2012-2013;

— a balanced budget in 2013-2014.

Under the Act, the government must establish, no later than the tabling of the 2011-2012 budget, objectives for decreasing budgetary deficits for fiscal years 2011-2012 and 2012-2013. The government must achieve those objectives and any overrun must be offset.

TABLE F.3

**Budgetary transactions – 2010-2011 Budget**$^F$
(millions of dollars)

| | 2010-2011 | 2011-2012 | 2012-2013 | 2013-2014 |
|---|---|---|---|---|
| **BUDGETARY TRANSACTIONS** | | | | |
| Budgetary revenue | 64 489 | 65 936 | 68 480 | 70 941 |
| Budgetary expenditure | – 69 551 | – 71 748 | – 74 041 | – 76 283 |
| Net results of consolidated entities | 697 | 848 | 926 | 852 |
| Contingency reserve | – 300 | — | — | — |
| Impact of plan to restore fiscal balance | 1 051 | 3 036 | 4 496 | 5 613 |
| **(DEFICIT) SURPLUS** | **– 3 614** | **– 1 928** | **– 139** | **1 123** |
| ***BALANCED BUDGET ACT*** | | | | |
| Deposit of dedicated revenues in the Generations Fund | – 892 | – 972 | – 1 061 | – 1 123 |
| **BUDGETARY BALANCE WITHIN THE MEANING OF THE *BALANCED BUDGET ACT*** | **– 4 506** | **– 2 900** | **– 1 200** | **0** |

F: Forecasts for 2010-2011 and 2011-2012 and projections for subsequent years.

# Section G

## Report on the Application of the *Act to reduce the debt and establish the Generations Fund*

1. SUMS ACCUMULATED IN THE GENERATIONS FUND ........ G.3

2. NEW DEBT REDUCTION OBJECTIVES ........ G.5

# 1. SUMS ACCUMULATED IN THE GENERATIONS FUND

Despite the budget deficit situation that Québec is temporarily facing, the government is reiterating its commitment to reduce the debt burden and is thus maintaining the annual deposits of dedicated revenues in the Generations Fund, a fund devoted exclusively to repayment of the debt.

In 2009-2010, $715 million were devoted to the Generations Fund. For 2010-2011 and 2011-2012, the revenues of the Generations Fund should reach $892 million and $972 million, respectively.

Taking into account the deposits since its creation and those projected for the coming years, the book value of the Generations Fund will be:

- $2 667 million as at March 31, 2010;
- $3 559 million as at March 31, 2011;
- $4 531 million as at March 31, 2012.

Given the contribution of the Generations Fund to debt reduction, total debt, which is the concept of debt currently used under the *Act to reduce the debt and establish the Generations Fund*, should stand at $136.8 billion, or 45.5% of GDP, as at March 31, 2010.

TABLE G.1

**Generations Fund**
(millions of dollars)

| | | | 2010-2011 Budget[P] | | |
|---|---|---|---|---|---|
| | **2009-2010 Budget** | **Adjustments** | **2009-2010** | **2010-2011** | **2011-2012** |
| **BOOK VALUE, BEGINNING OF YEAR** | 1 952[1] | | 1 952 | 2 667 | 3 559 |
| **DEDICATED REVENUES** | | | | | |
| Water-power royalties | | | | | |
| Hydro-Québec | 571 | — | 571 | 600 | 620 |
| Private producers | 76 | 11 | 87 | 87 | 86 |
| | 647 | 11 | 658 | 687 | 706 |
| Unclaimed property | — | 2 | 2 | 2 | 2 |
| Investment income | 68 | − 13 | 55 | 203 | 264 |
| **TOTAL** | **715** | — | **715** | **892** | **972** |
| **BOOK VALUE, END OF YEAR** | **2 667** | — | **2 667** | **3 559** | **4 531** |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.
[1] Data adjusted to take into account the actual balance as at March 31, 2009.

### Requirements of the current Act

The *Act to reduce the debt and establish the Generations Fund* was adopted on June 15, 2006.[1]

The objective of the Act is to reduce the government's debt burden. To that end, the Generations Fund was created. Pursuant to section 3, the Fund is made up of sums derived from seven revenue sources dedicated exclusively to repaying the debt. These sources are:

- water-power royalties paid by Hydro-Québec and private producers of hydro-electricity;
- a portion of Hydro-Québec's earnings on the sale of electricity outside Québec from its new production capacities;
- fees or charges for water withdrawal;
- the sale of assets;
- gifts, legacies and other contributions received by the Minister of Finance;
- unclaimed property administered by the Minister of Revenue;
- income generated by the investment of the sums making up the Fund.

The Act allows the government to order that a part, which it establishes, of any sums it collects or receives and over which Parliament has the power of appropriation, is to be paid directly into the Generations Fund. It also allows the government, subject to the provisions of the *Balanced Budget Act*, to use the stabilization reserve to pay sums into the Generations Fund.

The sums making up the Fund are managed by the Caisse de dépôt et placement du Québec.

Section 1 of the Act stipulates the government's debt reduction objectives. Under the Act, the government's debt corresponds to the total debt shown in the public accounts. Specifically, the Act provides for the reduction of the total debt as a percentage of GDP to less than:

- 38%, not later than March 31, 2013;
- 32%, not later than March 31, 2020;
- 25%, not later than March 31, 2026.

Section 11 of the Act stipulates that the Minister of Finance must report to the National Assembly, in the Budget Speech, on the sums making up the fund and on any sums used to repay the government's debt.

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[1] R.S.Q., c. R-2.2.0.1.

## 2. NEW DEBT REDUCTION OBJECTIVES

When the Generations Fund was created in 2006, the government set debt reduction objectives. According to these objectives, the total debt/GDP ratio should be less than 25% as at March 31, 2026.

The December 2007 accounting reform substantially modified the accounting framework that was in force when the Act was first adopted. In particular, the health and social services and education networks have been included in the government's reporting entity.

Since the accounting reform, a new debt concept, gross debt, has been introduced to measure the Québec government's financial position. This concept was created to include all entities whose financial results are henceforth consolidated line by line with those of the government.[1]

— The accounting reform added $21 billion in debt, or the equivalent of 7 percentage points of GDP. Previously, this additional amount of debt was included almost in its entirety in the debt of the other components of Québec's public sector.

In addition, the economic recession will have left budget deficits totalling $12.9 billion from 2009-2010 to 2012-2013, causing the debt to rise.

Accordingly, as provided for in last year's budget, the *Act to reduce the debt and establish the Generations Fund* will be amended to revise the debt reduction objectives.

Moreover, additional deposits will be made in the Generations Fund as of fiscal 2014-2015. Revenue generated by the increase in the price of heritage pool electricity will be deposited in the Generations Fund

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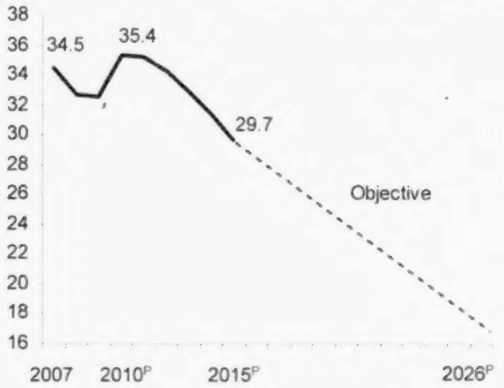
[1] At the time of the December 2007 accounting reform, financial data for the institutions in the health and social services and education networks were accounted for in the government's financial statements using the modified equity method. Under this method, debt contracted by network institutions in their own name is not taken into account in the government's gross debt. It is a separate component of the government's public sector debt.

In this budget, the government is setting the following two objectives:

- one concerns the debt representing accumulated deficits, that is, bad debt. This debt is expected to amount to $106.6 billion, or 35.4% of GDP, as at March 31, 2010. The government's objective is to reduce this ratio by half to 17% in 2025-2026. This is a maximum level;
- the other objective concerns the gross debt. This debt should stand at $160.1 billion, or 53.2% of GDP, as at March 31, 2010. This ratio is forecast to reach a maximum of 55.1% of GDP in 2011-2012 and to begin falling thereafter. The government's objective is to bring the gross debt/GDP ratio down to 45% in 2025-2026. Once again, this is a maximum level.

CHART G.1

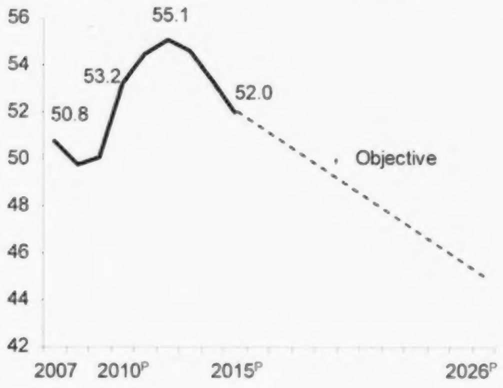
**Debt representing accumulated deficits**
(as a percentage of GDP)



P: Preliminary results for 2010, forecasts for 2011 to 2015 and projections for subsequent years.

CHART G.2

**Gross debt**[1]
(as a percentage of GDP)



P: Preliminary results for 2010, forecasts for 2011 to 2015 and projections for subsequent years.

[1] Excluding pre-financing.

The amendments to be made to the *Act to reduce the debt and establish the Generations Fund* will not call into question the fundamental principles of the Generations Fund. The allocation of revenues exclusively for purposes of debt repayment remains a priority for the government.

# Section H

## Report on the Funding of Public Services

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# INTRODUCTION

This section of the 2010-2011 Budget is the report on the funding of public services for fiscal 2008-2009. It presents all of the user fee revenues collected by government bodies, which help to fund public services.

This annual report, which is an integral part of the accountability reporting provided for under the policy for the funding of public services, is needed to understand the change, in each activity sector, in the portion of public services that is funded by users through user fees in relation to the portion that is funded by society as a whole.

Therefore, it is an important source of information for the government and citizens for the purpose of ensuring the funding of quality public services.

Moreover, it contains a review of the policy for the funding of public services announced in the 2009-2010 Budget.

The observations and analyses found in this report are based on information collected from the various government bodies.

For the purposes of the report, user fee revenues are divided into two categories:

- government user fee revenues comprising:
  - user fees that require direct government approval;
  - user fees that come under the various public insurance plans;
- user fee revenues associated with the activities of Hydro-Québec.

The report also includes a list of the compensatory measures that the government has defined in favour of low-income households so as to offset the impact of user fees on these users.

# 1. APPLICATION OF THE POLICY FOR THE FUNDING OF PUBLIC SERVICES

## 1.1 Policy for the funding of public services

The policy for the funding of public services, announced in the 2009-2010 Budget, seeks, through better user fee practices, to enhance the funding of services to maintain quality and ensure transparency and accountability in the fee-setting process.

This policy, which applies to all public bodies that offer Quebecers goods and services, is intended to ensure the continuity of government services and their accessibility in order to improve Quebecers' well-being.

The policy comprises four areas of intervention:

- the establishment of funding methods and annual adjustment mechanisms;
- the protection of access by low-income households to essential public services;
- the availability of information on government user fees;
- proper guidance for government departments and organizations in respect of user fees.

Government departments and organizations are called upon, in administering the policy, to take five actions:

- establish the method for funding public goods and services, whether by means of user fees or general revenues, especially taxes;
- determine the costs of fee-based services;
- set and index annually the amount of the various user fees within the existing regulatory and legislative framework, based on an established funding level;
- allocate user fees to fund fee-based services;
- account for fee-setting practices.

These fee-setting practices will contribute to greater knowledge of the cost of services and improved sharing of funding costs between users and society as a whole.

## 1.2 Application timetable and monitoring

The policy for the funding of public services will be implemented gradually. For each area of intervention in the policy, the means to be implemented are clearly pinpointed and targets are defined.

Mention should be made of the following means and targets:

- Starting January 1, 2011, all user fees that are not subject to indexation will be indexed annually according to the Québec consumer price index (excluding alcoholic beverages and tobacco products), except for the daily child-care services fee, which will be maintained at $7.
- Government departments and organizations and the networks will have until March 31, 2011 to systematically evaluate the costs of all services in respect of which user fees are levied.
- They must also determine the level of funding for their fee-based services by March 31, 2011. This process could lead to user fees for these services being kept at their current level or being revised.
- Government departments and organizations and the networks must take stock in their 2009-2010 annual management report of progress in the fee practices provided for in the policy. They must present a detailed accountability report on their fee practices in their annual management report as of 2010-2011.
- User fees must be re-evaluated at least once every five years according to the principles of the policy.

In addition, government departments and organizations will have to include fee practices in their strategic plan.

### 1.2.1 Change in the policy for the funding of public services

A change is being made to the deadline for implementing the policy in the case of non-budget-funded bodies.

For such bodies, the deadline for evaluating costs and determining funding levels for user services is being changed to March 31, 2011.

As a result, non-budget-funded bodies, government departments, including budget-funded bodies, and the networks now have the same deadlines for applying the practices of the policy for the funding of public services.

## 1.3 Bill respecting the funding of public services

A bill respecting the funding of public services will be tabled in the National Assembly to provide a framework for the policy for the funding of public services.

The bill will provide for, in particular:

- guideposts for the setting of user fees by public bodies;
- compulsory re-evaluation of the cost of fee-based services at least once every five years;
- annual indexation of some user fees;
- the possibility for the government to establish special funds allocated to the funding of public services for which user fees are collected by a government department or a budget-funded body;
- annual accountability reports on user fee practices by public bodies.

The fee practices governed by the bill, particularly the annual indexation of user fees, will help to achieve the objects of the plan to restore fiscal balance.

Moreover, as the Minister of Finance said, these new fee practices will enable all Quebecers to know the cost of the public services they receive, as well as the portion paid by users and the portion paid by society as a whole.

# 2. OVERVIEW OF 2008-2009 USER FEE REVENUES

## 2.1 Total user fee revenues

In 2008-2009, government user fee revenues[1,2] amounted to $12.9 billion, to which must be added $10.4 billion in revenue from electricity sales, for a total of $23.3 billion.

TABLE H.1

**Total user fee revenues**
(millions de dollars)

| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|---|
| **Departments, agencies and special funds, networks and child-care services** | | | | |
| Departments | 1 224 | 1 161 | 1 150 | 1 128 |
| Agencies and special funds | 1 385 | 1 568 | 1 770 | 1 914 |
| Health network[1] | 1 284 | 1 377 | 1 345 | 1 382 |
| Education network[2] | 1 784 | 1 875 | 1 962 | 1 915 |
| $7-a-day child-care services[3] | 305 | 316 | 335 | 344 |
| **Subtotal** | **5 982** | **6 297** | **6 562** | **6 683** |
| **Insurance plans** | **4 338** | **5 605** | **5 760** | **6 169** |
| **Subtotal – Government user fee revenues** | **10 320** | **11 902** | **12 322** | **12 852** |
| **Hydro-Québec (electricity sales)[4]** | **9 121** | **9 402** | **10 368** | **10 445** |
| **TOTAL** | **19 441** | **21 304** | **22 690** | **23 297** |

1 The expression "health network" always refers to the health and social services network.
2 Higher education and school boards.
3 Child-care centres and home child-care services. Revenues from school child-care services are included in the education network.
4 Electricity sales in Québec. Data as at December 31 of each year.

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[1] In the wake of the consolidation of the health and education networks and of a number of other bodies, data have been adjusted for the preceding years for purposes of comparison. Furthermore, to avoid double counting, the revenues of certain government departments and organizations have been reduced by roughly $500 million a year. This amount corresponds to revenues that have already been accounted for by Hydro-Québec and other fiduciary bodies such as the Société de l'assurance automobile du Québec (SAAQ) and the Commission de la santé et de la sécurité du travail (CSST).

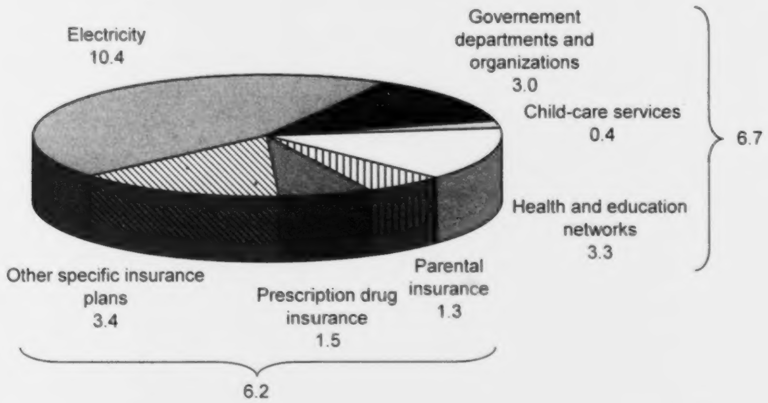
[2] Due to rounding off, the sum of the amounts presented in this report may not correspond to the total indicated.

These revenues are drawn globally from two sources:

- government user fee revenues, including:
  - revenues from government departments and organizations, the networks and child-care services ($6.7 billion, or 28.7% of user fee revenues);
  - revenues from the various insurance plans ($6.2 billion, or 26.5% of user fee revenues).
- revenues from electricity sales ($10.4 billion, or 44.8% of user fee revenues);

CHART H.1

**Breakdown of user fee revenues by sector, 2008-2009[1]**
(billions of dollars)



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[1] For results ending in fiscal 2008-2009.

## 2.2 The main government user fee revenues

The ten main government user fee revenues account for 70.9% of government user fee revenues as a whole, which total $12.9 billion.

Of overall user fee revenues, 39.5% is derived from the three main insurance plans. User fee revenues from these plans, which stand at $5.1 billion, are made up of contributions paid by employers to the Commission de la santé et de la sécurité au travail (CSST) and contributions and premiums paid by insured parties to the prescription drug insurance plan and the Québec parental insurance plan.

Vehicle registration and driver's licence fees collected from motorists total $878 million, or 6.8% of user fee revenues overall.

TABLE H.2

### The 10 main sources of government user fee revenues in 2008-2009

(millions of dollars)

| | Sector | Amount | Percentage |
|---|---|---|---|
| 1. Commission de la santé et de la sécurité du travail | Insurance | 2 277 | 17.7 |
| 2. Prescription drug insurance | Insurance | 1 457 | 11.3 |
| 3. Parental insurance | Insurance | 1 344 | 10.5 |
| 4. Driver's licence and vehicle registration fees[1] | Departments and agencies | 878 | 6.8 |
| 5. Société de l'assurance automobile du Québec | Insurance | 808 | 6.3 |
| 6. Contribution from accommodated adults | Networks (health) | 779 | 6.0 |
| 7. Child-care services[2] | Child-care services and networks (education) | 588 | 4.6 |
| 8. University tuition fees | Networks (education) | 486 | 3.8 |
| 9. Contributions of participants to the Fonds d'assurance-stabilisation des revenus agricoles | Insurance | 256 | 2.0 |
| 10. Police services provided to municipalities by the Sûreté du Québec | Agencies | 243 | 1.9 |
| **TOTAL** | | **9 116** | **70.9** |

[1] These fees are included in the revenues of the Ministère des Transports ($767 million), the SAAQ in respect of roadside inspections ($59 million) and the Société de financement des infrastructures locales du Québec ($52 million).

[2] Including $7-a-day child-care services and child-care services over $7 a day in schools.

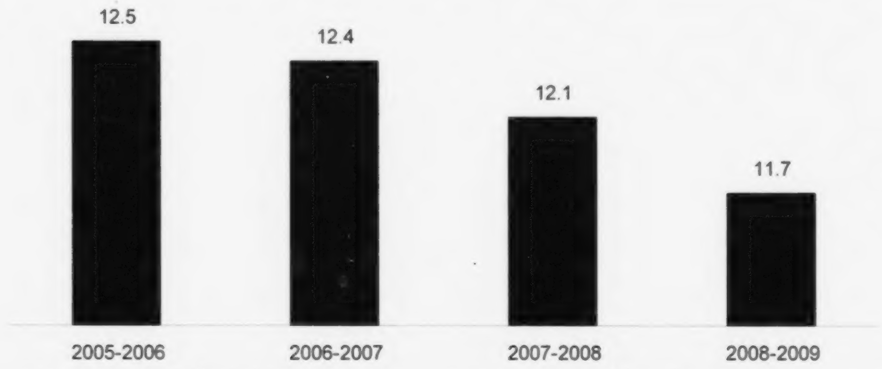
## 2.3 Government user fees in proportion to the cost of public services

Certain public services, such as compensation paid under the public automobile insurance plan administered by the Société de l'assurance automobile du Québec (SAAQ), compensation paid by the CSST to the victims of occupational accidents, and electricity generation by Hydro-Québec, are subject to funding policies that oblige the bodies to entirely fund their costs. No government spending is thus dedicated to funding these bodies.

User fee revenues for other public services[3] totalled \$8.1 billion, or 11.7% of the total cost of these services in 2008-2009, i.e. \$69.6 billion. The proportion has been declining constantly since 2005-2006. The 0.8% decrease in relation to 2005-2006 represents, in absolute value, \$575 million.

CHART H.2

**Proportion of user fee revenues in relation to the costs of public services overall[1]**
(per cent)



1 Excluding data for Hydro-Québec, the SAAQ, the CSST and the Québec parental insurance plan.

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[3] Fee-based and non-fee-based services.

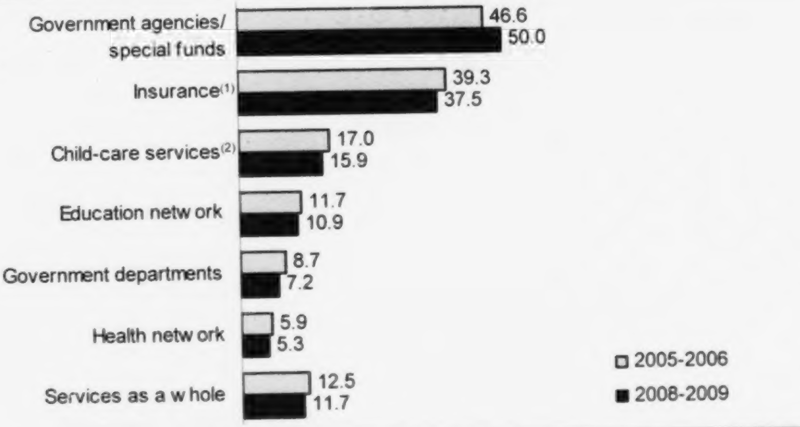
## Proportion of user fees by sector

The proportion of user fee revenues in relation to total spending on public services is much higher in government organizations than it is in departments and the health[4] and education networks.

In addition, this proportion decreased between 2005-2006 and 2008-2009 in all sectors, except government organizations, where it rose from 46.6% to 50.0%.

CHART H.3

**Proportion of user fee revenues in relation to the costs of public services**
(per cent)



1 Prescription drug insurance, farm income stabilization insurance and crop insurance. Excludes the SAAQ, the CSST and the Québec parental insurance plan, which was only established in 2006.

2 Child-care centres and home child-care services.

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[4] The expression "health network" always refers to the health and social services network.

# 3. USER FEE REVENUES BY SECTOR

## 3.1 Government departments

### ❑ User fee revenues of government departments

The user fee revenues of government departments[5] totalled $1.1 billion in 2008-2009, a $22.0-million decrease in relation to 2007-2008.

Overall, when transfers to the health and education networks, in particular, are excluded, user fee revenues covered 7.2% of the overall expenditures of government departments in 2008-2009. This proportion has declined steadily since 2005-2006 under the combined effect of higher spending and lower user fee revenues.[6]

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[5] Including budget-funded bodies.

[6] User fee revenues for the period 2005 to 2009 have been adjusted to avoid taking into account intergovernmental funding. The revenues of the Ministère des Finances have been reduced by amounts of between $163 million and $175 million annually in respect of the loan guarantee accorded enterprises, especially Hydro-Québec. An annual amount of $88.6 million received from the SAAQ for health services for road accident victims has also been deducted from the Ministère de la Santé et des Services sociaux. Lastly, an annual amount ranging from $14 million to $31 million from the Régie des rentes du Québec has been subtracted from the revenues of the Ministère du Revenu.

TABLE H.3

**User fee revenues by government department**
(millions of dollars)

| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|---|
| Transports | 739 | 750 | 764 | 788 |
| Justice | 61 | 53 | 55 | 77 |
| Ressources naturelles et Faune | 231 | 175 | 130 | 58 |
| Revenu | 69 | 49 | 62 | 55 |
| Immigration et Communautés culturelles | 30 | 34 | 36 | 43 |
| Sécurité publique | 40 | 40 | 41 | 43 |
| Agriculture, Pêcheries et Alimentation | 11 | 15 | 15 | 15 |
| Santé et Services sociaux | 5 | 9 | 9 | 11 |
| Famille et Aînés | 12 | 9 | 10 | 10 |
| Développement durable, Environnement et Parcs | 9 | 9 | 10 | 10 |
| Éducation, Loisir et Sport | 5 | 8 | 7 | 7 |
| Affaires municipales, Régions et Occupation du Territoire | 5 | 4 | 5 | 5 |
| Assemblée nationale | 2 | 3 | 3 | 3 |
| Emploi et Solidarité sociale | 2 | 2 | 2 | 2 |
| Développement économique, Innovation et Exportation | 1 | 1 | 1 | 1 |
| Other departments | 2 | 0 | 0 | 0 |
| **TOTAL USER FEE REVENUES** | **1 224** | **1 161** | **1 150** | **1 128** |
| **TOTAL EXPENDITURES[1]** | **14 010** | **13 901** | **14 553** | **15 728** |
| **Proportion of user fee revenues in relation to expenditures** | **8.7%** | **8.4%** | **7.9%** | **7.2%** |

Note: The detailed revenues of government departments are presented in Appendix 1.

[1] Excluding the expenditures of the health and education networks, transfers to agencies and special funds, child-care services and prescription drug insurance, which are examined later in this section.

The Ministère des Transports derives its user fee revenues almost exclusively (95%) from driver's licence and vehicle registration fees.

As for the Ministère de la Justice, which ranked second among government departments in terms of user fee revenues in 2008-2009, it derives its revenues mainly from penal and criminal legal transactions and civil judicial instruments.

The user fee revenues of the Ministère des Ressources naturelles et de la Faune amounted to $58 million in 2008-2009, down $72 million compared with 2007-2008. This downturn is due mainly to the decrease in mining and water-power royalties, since a substantial portion of water-power royalties are now paid into the Generations Fund.

## ☐ The costs of fee-based services

It is difficult to assess the costs of departments' fee-based services. Certain government departments still do not have the structures or means necessary to ascertain such costs with satisfactory accuracy.

In this regard, note that under the policy for the funding of public services, government departments must calculate the total costs of their fee-based services by March 31, 2011.

For 2008-2009, costs could be ascertained for only 26% of the user fee revenues of government departments.[7] Nevertheless, this was an improvement over fiscal 2007-2008, when cost coverage was determined for only 7% of revenues.

In 2008-2009, user fee revenues in respect of which costs could be determined covered 73% of the cost of delivering the fee-based services concerned. In absolute value, this represents close to $300 million in user fee revenues collected by government departments to fund services whose total cost amounted to $400 million.

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[7] Excluding royalties collected by the Ministère des Ressources naturelles et de la Faune.

## ☐ Fee-setting method adopted by government departments

User fee revenues can be defined according to the fee-setting method adopted.

Nineteen per cent of user fees are determined by means of a comparison with market prices or prices that other governments apply. For example, the cost of a management permit for the supply of timber on public lands depends on the value of standing trees in private forests.

User fees pertaining to a small proportion of revenues are determined according to the principle of cost recovery (5%) or on the basis of the cost of services (1%).

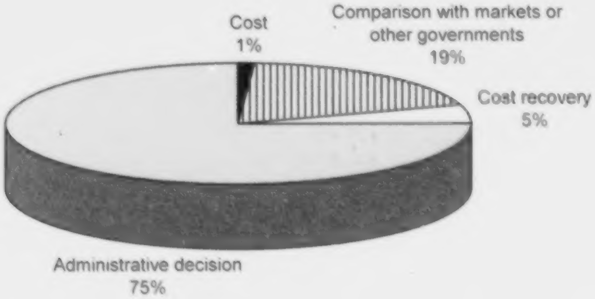
The cost method, where costs are determined by unit of service delivered, differs from cost recovery, which focuses on the overall amount required to deliver a set series of services.

Moreover, a high proportion (75%) of the user fee revenues of government departments have been set on the basis of administrative decisions, particularly by regulation, without being based on any particular calculation method.

Note that with the implementation of the policy for the funding of public services, there will be guidelines for administrative decisions on fee setting, since user fees will have to be established according to the costs of services.

CHART H.4

**Fee-setting method used by government departments, 2008-2009**
(as a percentage of user fee revenues)



## ☐ User fee indexation and revision mechanism

User fee indexation and revision mechanisms are applied unequally in government departments and budget-funded bodies; some user fees are indexed systematically while others are not.

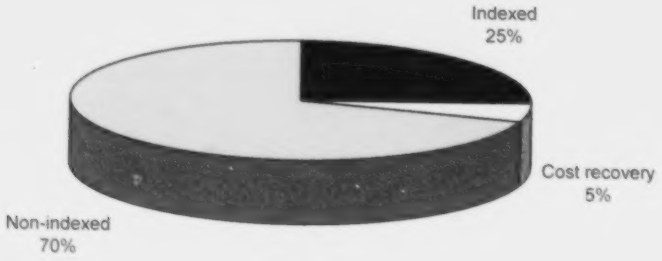
In 2008-2009, 70% of the user fee revenues of government departments were not indexed, mainly because there was no indexation of driver's licence and vehicle registration fees. These fees account for over half of the government departments' revenues overall.

The user fee revenues that were indexed account for 25% of such revenues as a whole. In some instances, indexation is effected according to different factors such as the consumer price index. In other cases, such as natural resource royalties, which vary in light of the economic value of the resource, indexation depends on commercial value.

Moreover, user fees in respect of 5% of revenues are determined in such a way as to recover costs, which implies that they must normally be revised systematically in order to totally fund the service. However, such is not always the case.

CHART H.5

**Indexation and revision of the user fees levied by government departments, 2008-2009**
(as a percentage of user fee revenues)



## 3.2 Consolidated organizations

### ☐ User fee revenues of government organizations

The user fee revenues collected by consolidated agencies[8] and special funds totalled $1.9 billion in 2008-2009, or 8.2% of total user fee revenues. Overall, user fee revenues represent 54.1% of the total expenditures of government organizations, which stood at $3.5 billion in 2008-2009.

The proportion of the expenses of government organizations funded by means of user fees rose from 46.6% in 2005-2006 to 54.1% in 2008-2009. This increase is essentially attributable to the introduction of new sources of environmental user fees. However, when the revenues of two new organizations, the Green Fund and the Centre de services partagés du Québec, are subtracted, the proportion of user fee revenues in relation to total expenditures declined to 50.0% in 2008-2009.

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[8] As in the case of government departments, organization revenues from Hydro-Québec, the CSST or the SAAQ as trustee have been eliminated in order to avoid double counting. The Commission des lésions professionnelles, for example, entirely funds its operations through a $54-million contribution from the CSST. The latter also refunds $115 million to the Régie de l'assurance maladie du Québec.

Similar adjustments of $7 million and $30 million from Hydro-Québec have also been made with respect to the Régie de l'énergie and the Agence de l'efficacité énergétique.

The revenues that the Corporation d'Urgences-santé earns from institutions in the health network and the SAAQ have been removed.

TABLE H.4

## User fee revenues by organization

(millions of dollars)

| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|---|
| Fonds vert (Green Fund) | — | 48 | 165 | 273 |
| Fonds des services de police | 229 | 236 | 242 | 248 |
| Société de l'assurance automobile du Québec | 151 | 156 | 160 | 163 |
| Agence métropolitaine de transport | 97 | 107 | 118 | 129 |
| Fonds d'information foncière | 120 | 116 | 124 | 126 |
| Autorité des marchés financiers | 77 | 84 | 86 | 88 |
| Société des établissements de plein air du Québec | 76 | 80 | 84 | 85 |
| Fonds des contributions des automobilistes au transport en commun | 68 | 69 | 70 | 73 |
| Fonds du service aérien gouvernemental | 30 | 27 | 52 | 64 |
| Commission des normes du travail | 52 | 55 | 55 | 60 |
| Société de financement des infrastructures locales du Québec | 34 | 45 | 48 | 52 |
| Régie du bâtiment du Québec | 45 | 47 | 50 | 51 |
| Investissement Québec | 34 | 32 | 45 | 49 |
| Régie de l'assurance maladie du Québec | 42 | 41 | 46 | 43 |
| Société immobilière du Québec | 46 | 42 | 44 | 36 |
| Régie des registres du ministère de la Justice | 30 | 30 | 29 | 28 |
| Société québécoise de récupération et de recyclage | 23 | 26 | 27 | 27 |
| Société de développement de la Baie-James | 18 | 21 | 22 | 19 |
| Fonds de gestion de l'équipement roulant | 15 | 18 | 20 | 19 |
| Centre des services partagés du Québec | — | 29 | 25 | 18 |
| Société du Palais des congrès de Montréal | 18 | 17 | 17 | 18 |
| Other | 241 | 242 | 241 | 245 |
| **TOTAL USER FEE REVENUES** | **1 446** | **1 568** | **1 770** | **1 914** |
| **TOTAL EXPENDITURES** | **3 101** | **3 324** | **3 614** | **3 539** |
| **Proportion of user fee revenues in relation to expenditures** | **46.6%** | **47.2%** | **49.0%** | **54.1%** |
| **Proportion of user fee revenues in relation to expenditures, excluding new organizations[1]** | **46.6%** | **45.9%** | **46.2%** | **50.0%** |

Note: Revenues in the Generations Funds from water-power royalties are not collected in exchange for a good or a service but are used to reduce the debt. Such revenues are thus excluded from the above list. The detailed revenues of government organizations are presented in Appendix 2.

[1] Green Fund and the Centre de services partagés du Québec.

The revenues of the Green Fund rose by $108 million in 2008-2009, mainly because of the increase in climate change fees, which were collected over a full fiscal year for the first time.

The revenues of the Police Services Fund stem from invoicing the municipalities for police services provided by the Sûreté du Québec.

The revenues of the SAAQ consist of administrative fees collected and fees retained for the purpose of roadside inspections.

As for the user fee revenues of the Agence métropolitaine de transport, 64% come from the proceeds of TRAM pass sales and the remainder from revenues from commuter trains and metropolitan express buses.

The Fonds d'information foncière derives most of its revenues from the registration of real property rights (62%) and sales, fees and honoraria related to cadastral renewal (34%).

## ☐ The costs of the fee-based services provided by government organizations

Unlike government departments, a number of organizations already rely on an accounting system by activity, which enables them to more readily provide the costs of their fee-based services.

Therefore, it was possible to ascertain costs for 63% of the user fee revenues of government organizations.[9]

- In 2008-2009, such revenues covered 80% of the cost of delivering the fee-based services concerned.
- In absolute value, this represents $1.26 billion in user fee revenues collected by organizations to fund services whose total cost stood at $1.58 billion.

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[9] Excluding royalties paid, particularly to the Generations Fund.

## ❑ Fee-setting method adopted by government organizations

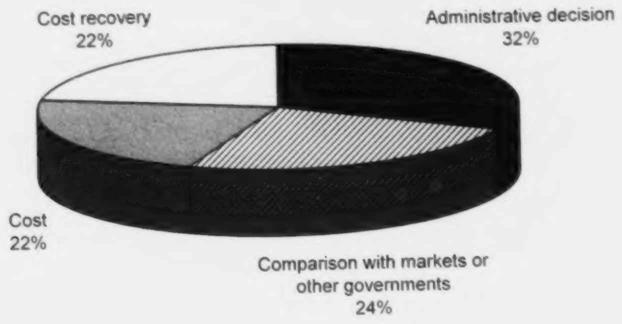
Administrative decisions set user fees in respect of 32% of the user fee revenues of government agencies and special funds.

Government organizations resort more extensively to fee-setting methods based on cost or cost recovery than government departments do. In fact, an equal proportion of user fees, i.e. 22%, are set by organizations with each of these methods.

Lastly, 24% of the user fee revenues of government organizations are determined by means of a comparison with the market or other governments.

CHART H.6

**Fee setting method adopted by government organizations, 2008-2009**
(as a perçentage of user fee revenues)



## ❑ User fee indexation and revision mechanism

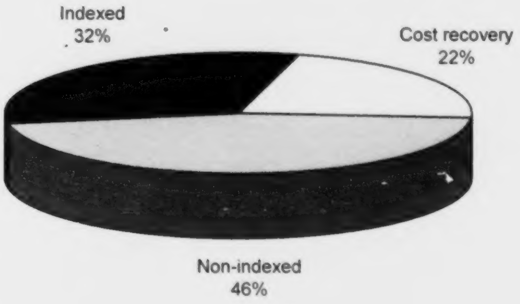
In 2008-2009, 46% of revenues were from non-indexed user fees, compared with 65% in 2007-2008.

Therefore, a larger proportion of user fee revenues was indexed in 2008-2009. User fees were indexed in respect of 32% of revenues, while they were determined in such a way as to recover the cost of services in respect of 22%.

Furthermore, certain user fees that are indexed annually were established a long time ago on uncertain bases and have not been reassessed since then.

CHART H.7

**Indexation and revision of the user fees of government organizations, 2008-2009**
(as a percentage of user fee revenues)



## 3.3 Health sector

The user fee revenues of the health sector totalled $2.9 billion in 2008-2009. They consist mainly of the revenues of the health network and participants' premiums and contributions to the public prescription drug insurance plan.

These user fee revenues represent 9.7% of the total expenditures of the health sector, which stood at $29.9 billion in 2008-2009.

TABLE H.5

**User fee revenues of the health sector**
(millions of dollars)

| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|---|
| Health network | 1 284 | 1 377 | 1 345 | 1 382 |
| Prescription drug insurance | 1 227 | 1 302 | 1 350 | 1 457 |
| Ministère de la Santé et des Services sociaux | 5 | 10 | 9 | 11 |
| Régie de l'assurance maladie du Québec | 42 | 41 | 46 | 43 |
| Corporation d'Urgences-santé | 7 | 8 | 9 | 8 |
| **TOTAL USER FEE REVENUES** | **2 565** | **2 738** | **2 759** | **2 901** |
| **TOTAL HEALTH SECTOR EXPENDITURES** | **24 684** | **26 200** | **28 223** | **29 929** |
| **Proportion of user fee revenues in relation to expenditures** | **10.4%** | **10.5%** | **9.8%** | **9.7%** |

## ❑ Health network

User fee revenues in the health network amounted to $1.4 billion in 2008-2009.

They represent only a small percentage of total funding of the network because the services offered are free of charge. This percentage remains low despite the full indexation of user fees.[10]

TABLE H.6

### Funding for the health network through user fee revenues

(millions of dollars)

| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|---|
| **User fee revenues – Health care delivery** | | | | |
| Contribution from accommodated adults | 641 | 694 | 662 | 682 |
| Supplement for private and semi-private rooms | 68 | 68 | 66 | 63 |
| Tax benefit for children placed with foster families | 45 | 48 | 50 | 50 |
| Other revenues (invoicing of services) | | | | |
| – Public institutions | | | | |
| ▪ Canadian residents | 33 | 32 | 32 | 33 |
| ▪ Foreign residents | 29 | 32 | 25 | 28 |
| ▪ Solicitor General | 8 | 10 | 10 | 12 |
| ▪ Government of Canada | 6 | 7 | 8 | 8 |
| ▪ Other revenues | 5 | 5 | 9 | 8 |
| – Private institutions under agreement | 90 | 93 | 96 | 97 |
| **Subtotal – Health care delivery** | **925** | **989** | **958** | **981** |
| Commercial operations | 87 | 87 | 84 | 91 |
| Auxiliary operations | 272 | 301 | 303 | 310 |
| **TOTAL USER FEE REVENUES** | **1 284** | **1 377** | **1 345** | **1 382** |
| **Other sources of funding** | | | | |
| Québec government contributions and other revenue sources | 20 407 | 21 573 | 23 373 | 24 868 |
| **TOTAL FUNDING FOR THE HEALTH NETWORK** | **21 691** | **22 950** | **24 718** | **26 250** |
| **Proportion of user fee revenues in relation to total funding** | **5.9%** | **6.0%** | **5.4%** | **5.3%** |

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[10] Most user fees in the health network are indexed at the rate used by the Régie des rentes du Québec. The indexation rate as at January 1, 2009 was 2.5%.

In 2008-2009, the contribution from accommodated adults stood at $682 million and represented 69.5% of revenues stemming from health care delivery, making it the main source of user fee revenues. Every change in this contribution directly affects the proportion of user fee revenues.

Revenues generated by auxiliary and commercial operations are used to self-finance expenditures unrelated to health care delivery. These revenue categories include, in particular, cafeteria and parking operations, television rentals and medical instruction.

### ❑ Prescription drug insurance

Québec's public prescription drug insurance plan was implemented on January 1, 1997. Registration in this plan is compulsory for anyone who cannot be covered by a private plan.

In addition to the premium paid when they file their income tax returns, the individuals covered must pay a monthly deductible and a certain percentage of the cost of medications. A maximum monthly contribution has been set and any excess amount is covered by the plan.

The portion of costs assumed by participants and individuals 65 years of age or over fell from 41.0% in 2005-2006 to 39.6% in 2008-2009. The government is thus bearing growing costs.

The ageing of the population and rising costs for new medications, in particular, explain the steady rise in the plan's costs.

TABLE H.7

**Change in the premiums and costs of Québec's public prescription drug insurance plan**
(millions of dollars)

| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|---|
| Premiums - Participants and individuals 65 years of age or over | 661 | 698 | 707 | 778 |
| Contributions from participants (deductible and coinsurance) | 566 | 604 | 643 | 679 |
| **Total premiums and contributions** | **1 227** | **1 302** | **1 350** | **1 457** |
| Cost to the government | 1 769 | 1 948 | 2 155 | 2 222 |
| **Total cost of the plan** | **2 996** | **3 250** | **3 505** | **3 679** |
| **Percentage of premiums and contributions in relation to the total cost of the plan** | **41.0%** | **40.1%** | **38.5%** | **39.6%** |

Participants cover 74.8% of the cost of the medications they take, while individuals 65 years of age or over cover 38.1%. Recipients of last resort financial assistance obtain the medications they need free of charge.

TABLE H.8

### Funding for the public prescription drug insurance plan by client group in 2008-2009

(millions of dollars)

| | Participants | Individuals 65 years of age or over | Financial assistance recipients | Total |
|---|---|---|---|---|
| Premiums | 398 | 380 | 0 | 778 |
| Contributions (deductible and insurance) | 221 | 458 | 0 | 679 |
| **TOTAL PREMIUMS AND CONTRIBUTIONS** | **619** | **838** | **0** | **1 457** |
| **TOTAL EXPENDITURES** | **827** | **2 200** | **652** | **3 679** |
| **Proportion of premiums and contributions in relation to total cost** | **74.8%** | **38.1%** | **0%** | **39.6%** |

## 3.4 Education network

User fee revenues in the education network stood at $1.9 billion in 2008-2009 and are derived, in particular, from tuition and administration fees and the sale of goods and services.

TABLE H.9

**Funding for the education network through user fee revenues**
(millions of dollars)

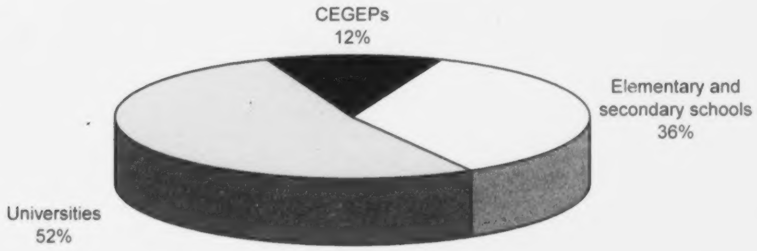
| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|---|
| **User fee revenues** | | | | |
| Elementary and secondary | 721 | 770 | 796 | 693 |
| CEGEP | 200 | 209 | 214 | 227 |
| University | 863 | 896 | 953 | 995 |
| **TOTAL USER FEE REVENUES** | **1 784** | **1 875** | **1 963** | **1 915** |
| **Other sources of funding** | | | | |
| Contributions from the Québec government | 12 221 | 12 577 | 13 336 | 14 255 |
| School taxes | 1 233 | 1 264 | 1 386 | 1 433 |
| **FUNDING FOR THE EDUCATION NETWORK[1]** | **15 238** | **15 716** | **16 685** | **17 603** |
| **Proportion of user fee revenues in relation to funding** | **11.7%** | **11.9%** | **11.8%** | **10.9%** |

[1] Funding does not include contributions from the federal government, non-government grants and income from investments and foundations.

Fifty-two per cent of user fee revenues in the education network are derived from universities, 36% from elementary and secondary schools, and 12% from CEGEPs.

GRAPHIQUE H.8

Breakdown of use fee revenues in the education network, 2008-2009[1]
(entrez le texte devant être entre parenthèses)



(1) Including school-based $7-a-day child-care services.

## ■ Elementary and secondary education

In the education network as a whole, the elementary and secondary school sector funds the smallest percentage of its activities, since education is free of charge at this level.

The main user fee revenues in elementary and secondary schools stem from refunds of expenditures (administrative, teaching and training activities), $7-a-day child-care services, and other activities such as extracurricular activities. Revenues from these three items total $530 million and represent 76.4% of user fee revenues.

Lower revenues, coupled with higher expenditures, caused the funding rate to fall from 7.4% in 2007-2008 to 6.3% in 2008-2009.

TABLE H.10

**Funding for elementary and secondary education through user fee revenues**
(millions of dollars)

| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|---|
| **User fee revenues** | | | | |
| Tuition fees | | | | |
| - Adults | 11 | 10 | 9 | 9 |
| - Other | 9 | 8 | 8 | 14 |
| Revenues stemming from educational activities | 38 | 41 | 45 | 47 |
| Sales of goods and services | | | | |
| - Residences | 1 | 1 | 1 | 1 |
| - Food services | 19 | 20 | 20 | 15 |
| - Child-care services at more than $7 a day | 26 | 23 | 23 | 30 |
| - $7-a-day child-care services | 149 | 150 | 154 | 214 |
| - School transportation | 11 | 11 | 10 | 11 |
| - Other activities | 162 | 184 | 205 | 83 |
| - Leasing of immovable property | 34 | 33 | 33 | 36 |
| - Recovery | 261 | 289 | 288 | 233 |
| **TOTAL USER FEE REVENUES** | **721** | **770** | **796** | **693** |
| **Other sources of funding** | | | | |
| Contributions from the Québec government | 7 967 | 8 133 | 8 592 | 8 918 |
| School taxes | 1 233 | 1 264 | 1 386 | 1 433 |
| **FUNDING FOR ELEMENTARY AND SECONDARY EDUCATION** | **9 921** | **10 167** | **10 774** | **11 044** |
| **Percentage of user fee revenues in relation to funding** | **7.3%** | **7.6%** | **7.4%** | **6.3%** |

- **CEGEP education**

The sale of goods and services is the biggest item in the CEGEPs and accounted for just over one third of user fee revenues in 2008-2009. Registration and tuition fees represented one quarter of user fee revenues.

The percentage of user fee revenues in relation to total funding ranged between 10.5% and 11.0% over the past four fiscal years.

TABLE H.11

**Funding for CEGEP education through user fee revenues**
(millions of dollars)

| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|---|
| **User fee revenues** | | | | |
| Registration fees and tuition fees | | | | |
| - Canadian students (including special fees linked to academic success) | 48 | 51 | 54 | 57 |
| - Students who are non-residents of Québec | 1 | 1 | 1 | 1 |
| - Foreign students | 2 | 2 | 2 | 2 |
| Sales of goods and services | 68 | 73 | 76 | 80 |
| Rentals | 16 | 16 | 17 | 20 |
| Other revenues | 65 | 66 | 64 | 67 |
| **TOTAL USER FEE REVENUES** | **200** | **209** | **214** | **227** |
| **Other sources of funding** | | | | |
| Contributions from the Québec government | 1 637 | 1 694 | 1 814 | 1 908 |
| **FUNDING FOR CEGEP EDUCATION** | **1 837** | **1 903** | **2 028** | **2 135** |
| **Percentage of user fee revenues in relation to funding** | **10.9%** | **11.0%** | **10.5%** | **10.6%** |

## University education

In the case of the universities, the estimated $383 million in tuition fees is the biggest source of user fee revenues.

External sales, which include, in particular, residence and cafeteria services, account for 30% of revenues and are the second biggest item.

TABLE H.12

### Funding for university education through user fee revenues

(millions of dollars)

| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009[1] |
|---|---|---|---|---|
| **User fee revenues** | | | | |
| Tuition fees | 344 | 345 | 364 | 383 |
| Differential fees for Canadian students who do not reside in Québec | 32 | 35 | 36 | 36 |
| Differential fees for foreign students | 54 | 56 | 62 | 67 |
| Admission fees, registration fees and fines | 53 | 59 | 78 | 78 |
| Contributions to student services | 44 | 47 | 49 | 52 |
| Sales to students | 68 | 75 | 73 | 75 |
| External sales | | | | |
| - Teaching | 35 | 37 | 43 | 47 |
| - Research | 5 | 5 | 6 | 6 |
| - Support (administration, libraries, data processing, etc.) | 36 | 40 | 39 | 41 |
| - Community services | 20 | 22 | 23 | 25 |
| - Student services | 27 | 30 | 31 | 34 |
| - Auxiliary services (residences, cafeterias, etc.) | 138 | 138 | 142 | 144 |
| Agreements with the other provinces (New Brunswick and Ontario) | 7 | 7 | 7 | 7 |
| **TOTAL USER FEE REVENUES** | **863** | **896** | **953** | **995** |
| **Other sources of funding** | | | | |
| Contributions from the Québec government | 2 617 | 2 750 | 2 930 | 3 428 |
| **FUNDING FOR UNIVERSITY EDUCATION[2]** | **3 480** | **3 646** | **3 883** | **4 423** |

[1] The data for universities are not available for fiscal 2008-2009. The amounts shown in the table are derived from estimates of the Ministère de l'Éducation, du Loisir et du Sport.

[2] Funding does not include contributions from the federal government, non-government grants and income from investments and foundations.

## The case of university tuition fees

University tuition fees, which include course fees and various attendant fees, totalled $589 million in 2007-2008.

According to the latest available figures, i.e. for 2007-2008, total funding for university operations reached $4.7 billion. This funding is derived not only from tuition fees and Québec government grants, but also from contributions from the federal government, grants and income from investments and foundations.

University tuition fees thus contributed 12.5% of total funding for university operations in 2007-2008.

**University tuition fees**
(millions of dollars)

| | 2005-2006 | 2006-2007 | 2007-2008 |
|---|---|---|---|
| Tuition fees | 344 | 345 | 364 |
| Differential fees for Canadian students who do not reside in Québec | 32 | 35 | 36 |
| Differential fees for foreign students | 54 | 56 | 62 |
| Admission and registration fees and fines | 53 | 59 | 78 |
| Contributions to student services | 44 | 47 | 49 |
| **Total – Tuition fees** | **527** | **542** | **589** |
| **Total funding for operations**[1] | **4 258** | **4 551** | **4 712** |
| **Proportion of tuition fees in relation to total funding for operations** | **12.4 %** | **11.9 %** | **12.5 %** |

[1] Contrary to the university funding costs shown in table H.12, grants for long-term debt service are excluded. On the other hand, contributions from the federal government, non-government grants and income from investments and foundations are included. In addition, taxes paid by the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire on behalf of universities and direct contributions from the Québec government to the retirement plans of certain categories of professors are added to Québec government grants.

Source: Système d'information financière des universités; Ministère de l'Éducation, du Loisir et du Sport.

## 3.5 Child-care services

The number of reduced-contribution child-care spaces[11] increased by 4 657 in 2008-2009, to reach a total of more than 205 000, a 2.3% increase over the preceding year.

TABLE H.13

**Number of reduced-contribution child-care spaces**

| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|---|
| Child-care centres | 74 573 | 75 934 | 77 165 | 77 864 |
| Home child-care services | 89 011 | 88 645 | 88 771 | 91 582 |
| Subsidized daycare centres | 33 034 | 34 027 | 35 230 | 36 377 |
| **TOTAL** | **196 618** | **198 606** | **201 166** | **205 823** |

Source: Ministère de la Famille et des Aînés.

Over the past year, the government's contribution per child increased by $2.35, or 5.5%, a day in child-care centres, compared with $0.45, or 2.2%, in home child-care services and $1.94, or 5.5%, in subsidized daycare centres.

In 2008-2009, the cost of spaces in home child-care services assumed by the government remained steady at $20.60 compared with 2005-2006, whereas the cost of spaces in child-care centres and subsidized daycare increased, respectively, by $8.20 and $5.65, to $44.91 and $37.09.

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[11] Excluding school child-care services that are part of the elementary and secondary sector.

TABLE H.14

## Average government and parental contributions per annualized space

(dollars)

| | Government contribution | | | | |
|---|---|---|---|---|---|
| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 | Parental contribution ($7) / total cost in 2008-2009 |
| Child-care centres | 36.91 | 40.14 | 42.56 | 44.91 | 13.5 % |
| Home child-care services | 20.60 | 19.67 | 20.15 | 20.60 | 25.4 % |
| Subsidized daycare centres | 31.44 | 33.17 | 35.15 | 37.09 | 15.9 % |

Source: Ministère de la Famille et des Aînés.

In 2008-2009, the parental contribution for a space in a child-care centre represented 13.5% of the total cost, as against 15.9% in subsidized daycare centres and 25.4% in home child-care services.

In 2008-2009, revenues from reduced $7-a-day child-care spaces totalled $344 million.

Overall, since 2005-2006, the proportion of expenditures for child-care services funded by the $7 contribution has declined from 17.0% to 15.9%.

TABLE H.15

## Funding for child-care services

(millions of dollars)

| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|---|
| $7-a-day parental contribution | 305 | 316 | 335 | 344 |
| Government contribution | 1 489 | 1 599 | 1 707 | 1 821 |
| **Total cost** | **1 794** | **1 915** | **2 042** | **2 165** |
| **Proportion funded by the $7-a-day parental contribution** | 17.0% | 16.5% | 16.4% | 15.9% |

Source: Ministère de la Famille et des Aînés and public accounts.

## 3.6 Insurance plans

Insurance plan revenues are derived from participants' premiums and contributions. These revenues totalled $6.2 billion in 2008-2009.

TABLE H.16

**Insurance plan revenues**
(millions of dollars)

| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|---|
| CSST[1] | 2 276 | 2 262 | 2 278 | 2 277 |
| SAAQ[1] | 685 | 698 | 709 | 808 |
| Prescription drug insurance[2] | 1 227 | 1 302 | 1 350 | 1 457 |
| Parental insurance[3] | — | 1 184 | 1 233 | 1 344 |
| Fonds d'assurance-stabilisation des revenus agricoles | 130 | 134 | 162 | 256 |
| Fonds d'assurance-récolte | 20 | 25 | 28 | 27 |
| **TOTAL** | **4 338** | **5 605** | **5 760** | **6 169** |

[1] The fiscal year of the CSST, the SAAQ and the Québec parental insurance plan ends on December 31.
[2] Information on prescription drug insurance is presented in section 3.3, "Health sector."
[3] The Québec parental insurance plan was introduced in 2006.

## ❑ The case of the SAAQ and the CSST

The SAAQ and CSST must self-finance the coverage of the services offered through participants' contributions. The costs of delivering their services and the attendant user fees are wholly or partially based on actuarial valuations. The deficits posted by both plans in 2008-2009 stem from the losses posted by the Caisse de dépôt et de placement du Québec (CDPQ) when the plans had almost reached full capitalization of their funds.

The SAAQ has adjusted insurance contributions since 2008 and intends to adopt a capitalization policy before the end of 2010. In the case of the CSST, the losses posted at the CDPQ did not affect the average premium rate for 2009. In 2010, the rate rose from $2.10 to $2.19, an increase attributable mainly to the amortization of the losses of the CDPQ.

TABLE H.17

### Results of the Fonds d'assurance automobile du Québec
(millions of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|
| **Automobile insurance (SAAQ)** | | | |
| Contributions to the plan | 698 | 709 | 808 |
| Investment and other revenues | 1 046 | 501 | – 2 134 |
| **Total revenues** | **1 744** | **1 210** | **– 1 326** |
| Expenditures | – 1 432 | – 1 272 | – 1 172 |
| **Surplus (deficit) of the plan** | **312** | **– 62** | **– 2 498** |

TABLE H.18

### Results of the Fonds de la santé et de la sécurité du travail
(millions of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|
| **Occupational health and safety insurance (CSST)** | | | |
| Contributions to the plan | 2 262 | 2 278 | 2 277 |
| Investment and other revenues | 1 479 | 634 | – 2 946 |
| **Total revenues** | **3 741** | **2 912** | **– 669** |
| Expenditures | – 2 700 | – 3 241 | – 2 746 |
| **Surplus (deficit) of the plan** | **1 041** | **– 329** | **– 3 415** |

## ☐ Parental insurance

The Québec parental insurance plan makes provision for the payment of benefits to all eligible workers who take maternity, paternity, parental or adoption leave. It came into force in 2006.

Despite revenues of $1.4 billion in 2008-2009, the plan's popularity and the increase in the birth rate led to a deficit. Based on actuarial valuations, the contribution rates were raised by 4.5% on January 1, 2010.

TABLE H.19

**Québec parental insurance plan**
(millions of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|
| Contributions to the plan | 1 184 | 1 233 | 1 344 |
| Other revenues | 224 | 19 | 8 |
| **Total revenues** | **1 408** | **1 252** | **1 352** |
| Expenditures | – 1 199 | – 1 488 | – 1 604 |
| **Surplus (deficit) of the plan** | **209** | **– 236** | **– 252** |
| **Percentage of contributions in relation to the total cost of the plan** | **98.7%** | **82.9%** | **83.8%** |

### The Fonds d'assurance-stabilisation des revenus agricoles and the Fonds d'assurance-récolte

In the case of stabilization insurance and crop insurance, the premiums paid by participants represented roughly one third of the costs of the plans in 2008-2009.

The government, through La Financière agricole du Québec, continues to contribute $2 to the Fonds d'assurance-stabilisation des revenus agricoles for each dollar paid by participants. The Fonds, which is intended to guarantee a net positive annual income for participants, had an accumulated deficit of $866 million as at March 31, 2009. The proportion of contributions from participants in relation to the compensation received rose from 29.9% in 2005-2006 to 30.6% in 2008-2009.

While the percentage of contributions from participants in relation to the compensation received has remained almost unchanged compared with 2005-2006, contributions and compensation have practically doubled, primarily because of the poor market conditions in the pork sector, which alone accounts for half the compensation awarded in the 16 farm production sectors covered.

TABLE H.20

#### Fonds d'assurance-stabilisation des revenus agricoles

(millions of dollars)

| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|---|
| Contributions from participants | 131 | 134 | 162 | 256 |
| Contributions from La Financière agricole du Québec | 261 | 269 | 323 | 512 |
| **TOTAL REVENUES** | **392** | **403** | **485** | **768** |
| Compensation paid to participants | – 436 | – 601 | – 632 | – 836 |
| Other expenditures | – 14 | – 27 | – 36 | – 18 |
| **TOTAL EXPENDITURES** | **– 450** | **– 628** | **– 668** | **– 854** |
| **Surplus (deficit)** | **– 58** | **– 225** | **– 183** | **– 86** |
| **Percentage of contributions from participants in relation to compensation received** | **29.9%** | **22.3%** | **25.6%** | **30.6%** |

The Fonds d'assurance-récolte seeks to protect crop yields against uncontrollable risks not attributable to human intervention. The proportion of contributions by participants in relation to compensation received fell from 64.9% in 2007-2008 to 33.8% in 2008-2009 but remains at the same level as in 2005-2006 and 2006-2007. The Fonds had an accumulated surplus of $107 million as at March 31, 2009.

The deficit posted in 2008-2009 can be attributed to two factors: poor weather for fodder crops, which led to higher-than-normal compensation, and losses on investments with the CDPQ.

TABLE H.21

**Fonds d'assurance-récolte**
(millions of dollars)

| | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 |
|---|---|---|---|---|
| Contributions from participants | 20 | 25 | 28 | 27 |
| Contributions from La Financière agricole du Québec | 30 | 38 | 42 | 42 |
| Other revenues | 7 | 6 | 12 | 1 |
| **TOTAL REVENUES** | **57** | **69** | **82** | **70** |
| Compensation paid to participants | – 59 | – 73 | – 43 | – 80 |
| Other expenditures | 0 | 4 | – 7 | – 22 |
| **TOTAL EXPENDITURES** | **– 59** | **– 69** | **– 50** | **– 102** |
| **Surplus (deficit)** | **– 2** | **0** | **32** | **– 32** |
| **Percentage of contributions from participants in relation to compensation received** | **34.0%** | **34.3%** | **64.9%** | **33.8%** |

## 3.7 Electricity

### ☐ Revenues

In 2008, revenue from electricity sales[12] in Québec totalled $10.4 billion and accounted for 44.8% of total user fee revenues. This represents an increase of 0.7%, or $77 million, in relation to 2007.

TABLE H.22

**Total electricity sales in Québec**
(millions of dollars)

| | 2006 | 2007 | 2008 | Change 2007-2008 |
|---|---|---|---|---|
| Domestic and agricultural | 3 775 | 4 144 | 4 300 | 3.8% |
| General and institutional | 2 356 | 2 602 | 2 687 | 3.3% |
| Industrial and other | 3 271 | 3 622 | 3 458 | – 4.5% |
| **TOTAL** | **9 402** | **10 368** | **10 445** | **0.7%** |

The $77-million increase in proceeds from the sale of electricity in Québec stems essentially from user fee adjustments as of April 1, 2007 and 2008, which were offset by warmer weather in 2008 and lower demand, particularly in the industrial category.

### ☐ Rate-setting method and indexation mechanism

The Régie de l'énergie has exclusive jurisdiction to set rates, following public hearings. It establishes or modifies the conditions and rates at which electricity is transmitted and distributed bearing in mind the economic, social and environmental concerns that the government indicates to the Régie by decree.

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[12] The information in this section is drawn from Hydro-Québec's *Annual Report 2008*. Data are presented on a calendar year basis.

Pursuant to the legislative provisions that govern its operations, the Régie de l'énergie sets the rates applicable by Hydro-Québec Distribution to consumers. These rates are based on four components:

- the cost of the electricity that Hydro-Québec Distribution purchases from Hydro-Québec Production or other suppliers (supply cost);
- the transmission cost of such electricity that Hydro-Québec Distribution must pay Hydro-Québec TransÉnergie;
- the cost of distribution to consumers;
- a fair return on Hydro-Québec Distribution's assets, i.e. the capital that the government shareholder invests in distribution.

However, under the *Act respecting the Régie de l'énergie*, the cost of electric power is set at 2.79 ¢/kWh for a volume of 165 TWh, which corresponds to the volume of heritage pool consumption.

The rate for sales of post-heritage electricity in excess of 165 TWh in Québec includes the four cost components.

Furthermore, the Régie de l'énergie has a mandate to hand down a decision on requests from Hydro-Québec, which is responsible for requesting electricity rate revisions.

# 4. COMPENSATORY MEASURES ADOPTED BY THE QUÉBEC GOVERNMENT IN FAVOUR OF LOW-INCOME HOUSEHOLDS

## 4.1 Fiscal measures to support income

Various fiscal measures to support income increase the disposable income of low-income households in Québec:

- the Child Assistance measure, which enhances in particular the incomes of low- and middle-income families;
- the work premium, which encourages beneficiaries of last resort financial assistance programs to integrate the labour market;
- the reimbursement of property taxes, which is intended to reduce the property tax burden borne by low- and middle-income taxpayers who live in areas where the municipal tax burden is relatively high;
- the refundable tax credit in respect of the Québec sales tax, which is intended to lighten the tax burden of low- or middle-income taxpayers;
- the indexation of the personal income tax system.

## 4.2 Specific measures designed to offset increases in certain user fees

Certain more specific measures that have already been implemented offset for low-income households increases in certain user fees.

In the health network, special benefits are granted to the beneficiaries of last resort financial assistance programs to cover certain medical costs.[13] The government also offers refundable and non-refundable tax credits for medical expenses.

In the education network, the calculation of student financial assistance in the form of loans and bursaries takes into account the contributions and expenses usually related to pursuing an education, including tuition fees and the students' and their parents' income, as the case may be.[14]

Moreover, beneficiaries of low-cost housing or rent supplements do not devote more than 25% of their income to housing costs. Since the cost of heating is included in the rent, the program assumes part of it.[15]

— At the same time, through the Shelter Allowance Program, the Québec government offers financial assistance to certain low-income households that allocate too large a part of their budget to housing. Electricity costs are included in the calculation of the financial assistance.

Beneficiaries of last resort financial assistance do not assume any costs for child-care services for the equivalent of two and a half days or five half-days a week.

Seniors and students, who usually have below-average incomes, pay lower rates for public transit.

Beneficiaries of last resort financial assistance programs and certain low-income seniors receive medications free of charge under the public prescription drug insurance plan.

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[13] For example, transportation by ambulance, orthotic devices, prostheses, eyeglasses and contact lenses.

[14] Interest paid on a student loan also gives rise to entitlement to a non-refundable tax credit.

[15] On the other hand, tenants must pay for electricity, i.e. lighting, household appliances, hot water, and so on.

## 4.3 Measures to maintain purchasing power

Since January 2006, the eligibility thresholds for legal aid have been raised, thus increasing the funds available to low-income households.

On May 1, 2009, the minimum hourly wage was raised by $0.50, from $8.50 to $9.00. As of May 1, 2010, it will be raised again by $0.50 to $9.50.

Since 2005, benefits under the Social Solidarity Program, which targets individuals who have a severely limited capacity for employment, have been indexed at the rate used to index the personal income tax system. Furthermore, since 2009, benefits under the Social Assistance Program, which targets people who are able to work, have also been fully indexed, whereas previously they were indexed at the half rate.

TABLE H.23

## Summary table of compensatory measures intended for low-income households

| | Compensatory measures |
|---|---|
| ealth network | - Special benefits for recipients of last resort financial assistance<br>- Refundable and non-refundable tax credits for medical expenses |
| Education network | - Student financial assistance<br>- Tax credit for interest paid on a student loan |
| Electricity rates | - Rent Supplement Program<br>- Low-rental housing<br>- Shelter Allowance Program |
| $7-a-day child-care services | - No contribution for two and a half days or five half-days a week for persons receiving benefits under last resort financial assistance programs |
| Public transit | - Lower rates for seniors and students |
| Public prescription drug insurance plan | - Free prescription drugs for persons receiving benefits under last resort financial assistance programs<br>- Premium based on household income<br>- Claim booklet for workers receiving benefits under last resort financial assistance programs<br>- Free prescription drugs for seniors receiving at least 94% of the Guaranteed Income Supplement |
| General fiscal measures | - Work premium<br>- Child Assistance measure<br>- Refundable tax credit for home support for elderly persons<br>- Indexation of the personal income tax system<br>- Refundable Québec sales tax credit<br>- Property tax refund |
| Other general fiscal measures | - Increase in the minimum wage<br>- Indexation of benefits under last resort financial assistance programs<br>- Legal aid |

## 5. DETAILED REVENUES OF GOVERNMENT DEPARTMENTS AND ORGANIZATIONS

The data presented in these appendices are drawn from information collected from all government departments and organizations.

The detailed user fee revenues for government departments and organizations are presented in alphabetical order. These data cover the fiscal years from 2006-2007 to 2008-2009 and concern two categories of revenues, i.e. "fees and permits" and "sales of goods and services."

Data for government departments include those of their budget-funded bodies, as the case may be, except for the following budget-funded bodies, which are presented separately:

- Régie du logement;
- Commission de protection du territoire agricole du Québec;
- Régie des marchés agricoles et alimentaires du Québec;
- Curateur public du Québec;
- Office de la protection du consommateur;
- Régie des alcools, des courses et des jeux;
- Sureté du Québec;
- Commission des transports du Québec.

**Legend**

The "indexation" column indicates whether or not the user fee is indexed.

The "fee-setting method" column indicates whether the fee is set:

- according to the market or a comparison with another jurisdiction (MAJ);
- according to the cost method (C);
- according to the cost recovery method (CR);
- by an administrative decision (AD).

Categories of user fee revenues under $500 are not taken into account in these appendices.

## 5.1 Appendix 1 – Detailed tables of the user fee revenues of government departments

### Affaires municipales, Régions et Occupation du territoire

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **RÉGIE DU LOGEMENT** | | | | | |
| **Fees and permits** | | | | | |
| Fees levied by the Régie du logement | 4 485 | 4 561 | 4 746 | Yes | AD |
| **Subtotal** | **4 485** | **4 561** | **4 746** | | |
| **Sales of goods and services** | | | | | |
| Photocopies of documents | 19 | 18 | 19 | Non | CR |
| **Subtotal** | **19** | **18** | **19** | | |
| **TOTAL** | **4 504** | **4 579** | **4 765** | | |

## Agriculture, Pêcheries et Alimentation

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **DEPARTMENT** | | | | | |
| **Fees and permits** | | | | | |
| Régie des marchés agricoles | 53 | 68 | 22 | Yes | CR |
| File processing | 331 | 526 | 441 | Yes | CR |
| Sale and mixing of medicating feed | 40 | 42 | 40 | Yes | CR |
| Auction sales | 6 | 3 | 3 | Yes | CR |
| Marketing | 81 | 100 | 104 | Yes | CR |
| Slaughterhouses and workshops | 214 | 237 | 231 | Yes | CR |
| Inseminators | 63 | 65 | 65 | Yes | CR |
| Commercial fishery | 91 | 128 | 93 | No | CR |
| Preparation or canning of fish | 62 | 63 | 61 | Yes | CR |
| Food service and retail food sales | 11 062 | 11 183 | 11 309 | Yes | CR |
| **Subtotal** | **12 003** | **12 415** | **12 369** | | |
| **Sales of goods and services** | | | | | |
| Courses | 0 | 2 | 0 | No | — |
| Water | 1 | 102 | 126 | No | CR |
| Land and building leasing | 11 | 12 | 15 | Yes | CR |
| Boat ramp | 47 | 54 | 61 | No | CR |
| Leasing of staff services | 2 | 0 | 0 | Yes | CR |
| Technical assistance and support | 67 | 65 | 73 | No | CR |
| Other assistance for farmers | 1 015 | 1 010 | 1 041 | No | CR |
| Analysis of drinking water | 8 | 12 | 17 | No | CR |
| Access to information | 1 | 0 | 0 | No | MAJ |
| **Subtotal** | **1 152** | **1 257** | **1 334** | | |
| **TOTAL** | **13 154** | **13 670** | **13 703** | | |
| **COMMISSION DE PROTECTION DU TERRITOIRE AGRICOLE DU QUÉBEC** | | | | | |
| **Fees and permits** | | | | | |
| File processing | 10 | 9 | 19 | Yes | AD |
| Application for authorization - Agricultural zone | 588 | 561 | 571 | Yes | AD |
| Attestation - APALAA[1] | 22 | 21 | 16 | Yes | AD |
| Removal of topsoil | 17 | 18 | 9 | Yes | AD |
| Declaration | 98 | 103 | 103 | Yes | AD |
| **Subtotal** | **735** | **711** | **718** | | |
| **Sales of goods and services** | | | | | |
| Photocopies of documents | 2 | 3 | 2 | Yes | AD |
| Plans of agricultural zones | 8 | 4 | 1 | Yes | AD |
| **Subtotal** | **10** | **7** | **3** | | |
| **TOTAL** | **745** | **718** | **721** | | |

[1] Act respecting the Preservation of agricultural land and agricultural activities.

## Agriculture, Pêcheries et Alimentation (cont.)

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **RÉGIE DES MARCHÉS AGRICOLES ET ALIMENTAIRES DU QUÉBEC** | | | | | |
| **Fees and permits** | | | | | |
| File processing | 9 | 9 | 10 | Yes | CR |
| Auction sales | 0 | 1 | 0 | Yes | CR |
| Grain marketing | 207 | 218 | 219 | Yes | CR |
| Marketing | 2 | 2 | 2 | Yes | CR |
| **Subtotal** | **219** | **230** | **231** | | |
| **Sales of goods and services** | | | | | |
| Photocopies of documents | 29 | 31 | 38 | Yes | CR |
| Courses | 37 | 35 | 40 | Yes | CR |
| Grain inspection | 6 | 6 | 11 | Yes | CR |
| Sampling kit | 1 | 0 | 1 | Yes | CR |
| Leasing of staff services | 0 | 0 | 13 | Yes | CR |
| Contributions – Monitoring of milk use | 469 | 352 | 504 | No | CR |
| Contributions – Monitoring of poultry producer quotas | 40 | 57 | 58 | Yes | CR |
| Technical assistance and support | 2 | 4 | 3 | Yes | CR |
| **Subtotal** | **584** | **485** | **668** | | |
| **TOTAL** | **803** | **715** | **899** | | |
| **TOTAL – MINISTÈRE DE L'AGRICULTURE, DES PÊCHERIES ET DE L'ALIMENTATION** | **14 702** | **15 103** | **15 323** | | |

## Assemblée nationale

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Own-source revenues of the Assemblée nationale | 2 421 | 2 584 | 2 703 | No | MAJ |
| Assemblée nationale gift shop | 189 | 332 | 319 | No | CR |
| **Subtotal** | **2 610** | **2 916** | **3 022** | | |
| **TOTAL** | **2 610** | **2 916** | **3 022** | | |

## Culture, Communications et Condition féminine

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Photocopies of documents | 2 | 0 | 3 | No | C |
| Courses | 501 | 0 | — | — | — |
| Instructional material | 14 | 0 | — | — | — |
| Admission fees | 46 | 0 | — | — | — |
| Technical assistance and support | 193 | 0 | — | — | — |
| **Subtotal** | **756** | **0** | **3** | | |
| **TOTAL** | **756** | **0** | **3** | | |

## Développement durable, Environnement et Parcs

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Accreditation of private and municipal laboratories | 527 | 585 | 638 | Yes | MAJ |
| Water regime | 1 406 | 427 | 876 | Yes | AD |
| Dam safety | 1 126 | 1 667 | 1 054 | Yes | AD |
| Fees for commercial operations | 0 | 1 | 2 | Yes | AD |
| Depollution attestations | 575 | 619 | 536 | Yes | AD |
| Environmental protection fees | 1 062 | 1 784 | 966 | Yes | AD |
| **Subtotal** | **4 696** | **5 084** | **4 072** | | |
| **Sales of goods and services** | | | | | |
| Forms, documentation and information | 60 | 58 | 45 | Yes | AD |
| Leasing of water resources for aquaculture | 24 | 6 | 37 | Yes | AD |
| Land and buildings | 295 | 653 | 213 | Yes | AD |
| Leasing and concessions | 1 101 | 884 | 1 148 | Yes | AD |
| Management of public dams | 661 | 1 246 | 1 257 | No | AD |
| Environmental analysis | 1 883 | — | — | — | — |
| Sales of goods and services - Autonomous service units | — | 2 010 | 2 754 | Yes | AD |
| **Subtotal** | **4 024** | **4 858** | **5 454** | | |
| **TOTAL** | **8 720** | **9 942** | **9 526** | | |

## Développement économique, Innovation et Exportation

| | | | | | |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| File processing | 39 | 35 | 32 | Yes | C |
| Upholstering | 1 043 | 1 076 | 1 167 | Yes | AD |
| Visa - Tax credit for design | 40 | 79 | 89 | Yes | C |
| **Subtotal** | **1 122** | **1 190** | **1 288** | | |
| **TOTAL** | **1 122** | **1 190** | **1 288** | | |

## Éducation, Loisir et Sport

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Private educational institutions | 20 | 6 | 1 | No | AD |
| **Subtotal** | **20** | **6** | **0** | | |
| **Sales of goods and services** | | | | | |
| Recoveries from third parties | 7 593 | 7 344 | 6 996 | No | AD |
| Fees for rereading exams | 8 | 8 | 6 | No | AD |
| **Subtotal** | **7 601** | **7 352** | **7 002** | | |
| **TOTAL** | **7 621** | **7 358** | **7 003** | | |

## Emploi et Solidarité sociale

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Collection fees | 2 040 | 2 143 | 2 130 | No | CR |
| Access to information | 2 | 3 | 1 | Yes | CR |
| **Subtotal** | **2 042** | **2 147** | **2 131** | | |
| **TOTAL** | **2 042** | **2 147** | **2 131** | | |

## Famille et Aînés

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **DEPARTMENT** | | | | | |
| **Fees and permits** | | | | | |
| File processing | 54 | 53 | 167 | Yes | AD |
| **Subtotal** | **54** | **53** | **167** | | |
| **TOTAL** | **54** | **53** | **167** | | |
| **CURATEUR PUBLIC** | | | | | |
| **Fees and permits** | | | | | |
| Honoraria – Public records | 5 918 | 6 403 | 6 730 | Yes | C |
| Portfolio management honoraria – Public records | 3 306 | 3 427 | 3 457 | No | MAJ |
| **Subtotal** | **9 224** | **9 830** | **10 187** | | |
| **TOTAL** | **9 224** | **9 830** | **10 187** | | |
| **TOTAL - FAMILLE ET AÎNÉS** | **9 278** | **9 883** | **10 354** | | |

## Immigration et Communautés culturelles

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Sponsorship application – Foreign nationals | 2 518 | 3 105 | 3 060 | No | CR |
| Application from an employer concerning temporary work | 1 155 | 1 419 | 1 436 | No | CR |
| Selection certificates – Foreign nationals | 24 072 | 25 392 | 32 276 | No | CR |
| Acceptance certificates – Foreign nationals | 4 258 | 4 409 | 2 312 | No | CR |
| Acceptance certificates – Students | 0 | 0 | 2 452 | No | CR |
| **Subtotal** | **32 003** | **34 325** | **41 536** | | |
| **Sales of goods and services** | | | | | |
| Photocopies of documents | 0 | 3 | 4 | No | AD |
| Equipment and supplies | 0 | 1 | 1 | No | — |
| Equivalency attestation fees for studies done outside Québec | 1 538 | 1 593 | 1 921 | No | AD |
| **Subtotal** | **1 538** | **1 597** | **1 926** | | |
| **TOTAL** | **33 541** | **35 922** | **43 462** | | |

## Justice
(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **DEPARTMENT** | | | | | |
| **Fees and permits** | | | | | |
| Legal publicity of enterprises | 169 | 202 | 217 | Yes | AD |
| **Subtotal** | **169** | **202** | **217** | | |
| **Sales of goods and services** | | | | | |
| Forms and documents | 520 | 541 | 550 | Yes | AD |
| Room and board | 97 | 100 | 101 | No | AD |
| Judicial instruments | 30 924 | 29 759 | 35 935 | Yes | AD |
| Legal transactions | 20 188 | 23 663 | 39 243 | Yes | AD |
| **Subtotal** | **51 729** | **54 063** | **75 829** | | |
| **TOTAL** | **51 897** | **54 265** | **76 046** | | |
| **OFFICE DE LA PROTECTION DU CONSOMMATEUR** | | | | | |
| **Fees and permits** | | | | | |
| Door-to-door salespersons | 230 | 225 | 245 | Yes | AD |
| Money lenders | 16 | 15 | 19 | Yes | AD |
| Health clubs | 92 | 90 | 98 | Yes | AD |
| Debt collection agencies | 12 | 15 | 10 | Yes | AD |
| Merchants – Extended coverage | 5 | 5 | 4 | Yes | AD |
| Travel agents | 700 | 678 | 715 | Yes | AD |
| Exemption certificates | 51 | 44 | 37 | Yes | AD |
| **Subtotal** | **1 106** | **1 072** | **1 128** | | |
| **Sales of goods and services** | | | | | |
| Legal transactions | 0 | 0 | 5 | No | — |
| **Subtotal** | 0 | 0 | 5 | | |
| **TOTAL** | **1 106** | **1 072** | **1 133** | | |
| **TOTAL - JUSTICE** | **53 003** | **55 337** | **77 179** | | |

## Personnes désignées par l'Assemblée nationale

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Delineation of electoral boundaries | 0 | 7 | 0 | No | CR |
| **Subtotal** | **0** | **7** | **0** | | |
| **Sales of goods and services** | | | | | |
| Forms and documents | 4 | 19 | 23 | No | CR |
| Fees for the transmission of information from the permanent electoral list | 456 | 303 | 297 | No | CR |
| Land and building leasing | 12 | 19 | 20 | No | CR |
| Leasing of parking spaces | 43 | 42 | 42 | No | CR |
| **Subtotal** | **517** | **384** | **382** | | |
| TOTAL | **517** | **391** | **382** | | |

## Ressources naturelles et Faune

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| **Forest resources** | | | | | |
| Wood harvesting – Domestic use | 201 | 193 | 209 | Yes | MAJ |
| Wood processing plants | 698 | 670 | 616 | Yes | CR |
| Management permits – Wood supply on public lands | 258 069 | 160 727 | 141 946 | Yes | MAJ |
| Sugar bushes | 1 545 | 1 529 | 1 597 | No | AD |
| Management - Public utility works | 175 | 77 | 113 | Yes | MAJ |
| Management - Mining activities | 87 | 102 | 100 | Yes | MAJ |
| Management - Wildlife and recreational development | 90 | 64 | 45 | Yes | MAJ |
| Log scalers | 5 | 2 | 6 | No | AD |
| Other forest management fees | 23 | 20 | 32 | Yes | MAJ |
| Regular silvicultural treatments | – 145 747 | – 142 300 | – 133 257 | Yes | AD |
| Forest resource development programs | – 6 261 | – 11 380 | – 5 343 | Yes | AD |
| Contributions to SOPFIM[1] - SOPFEU[2] | – 15 935 | 0 | 0 | No | AD |
| Special recovery and production plans | – 33 106 | – 7 047 | – 3 346 | Yes | AD |
| Transfers to the Fonds forestier | – 57 006 | 0 | 0 | No | AD |
| **Total – Forest resources** | **2 838** | **2 657** | **2 718** | | |
| **Mining resources** | | | | | |
| Mining operations – Fees | 48 787 | 82 905 | 27 374 | No | MAJ |
| Mining operations – Credits for losses | – 13 212 | – 38 918 | – 37 675 | No | AD |
| Mining operations – Credits for financing | – 379 | 0 | 0 | — | — |
| Claims | 12 379 | 11 315 | 10 893 | Yes | AD |
| Operation under lease | 1 410 | 1 533 | 1 527 | Yes | AD |
| Prospectors | 13 | 16 | 18 | Yes | AD |
| Search for underground reservoirs | 180 | 245 | 397 | No | MAJ |
| General information | 8 | 79 | 19 | Yes | AD |
| Exploration | 0 | 16 | 6 | Yes | AD |
| Staking tags | 16 | 9 | 3 | No | AD |
| Development – Sand, gravel and other | 2 716 | 2 803 | 3 513 | No | AD |
| **Total – Mining resources** | **51 918** | **60 002** | **6 075** | | |

1 Société de protection des forêts contre les insectes et maladies.
2 Société de protection contre les incendies de forêts.

## Ressources naturelles et Faune (cont.)
(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Water resources** | | | | | |
| Water power | 9 977 | 3 469 | – 809 | Yes | MAJ |
| Electrical power generated | 63 535 | 15 486 | – 20 | Yes | MAJ |
| Water regime | 1 653 | 1 669 | 1 712 | Yes | MAJ |
| **Total – Water resources** | **75 165** | **20 624** | **883** | | |
| **Other** | | | | | |
| Exploration licences | 0 | 83 | 0 | No | MAJ |
| Development and exploitation leases – Natural gas | 16 | 16 | 16 | No | MAJ |
| Oil and natural gas exploration | 645 | 641 | 995 | No | MAJ |
| Exploitation of oil and natural gas – Royalties | 16 | 12 | 11 | No | MAJ |
| Operating leases for underground reservoirs | 64 | 61 | 65 | No | MAJ |
| User permit – High-risk petroleum equipment | 1 832 | 0 | 0 | No | — |
| Hunting, fishing and trapping licences | 27 660 | 27 485 | 27 026 | No | MAJ |
| Commercial and individual permits | 284 | 163 | 159 | Yes | MAJ |
| Fees for commercial operations | 1 295 | 958 | 1 719 | Yes | MAJ |
| **Total – Other** | **31 812** | **29 418** | **29 991** | | |
| **Subtotal** | **161 733** | **112 702** | **39 668** | | |
| **Sales of goods and services** | | | | | |
| Forms and documents | 211 | 232 | 234 | No | AD |
| Equipment and supplies | 1 | 0 | 0 | No | — |
| Wood | 264 | 10 | 9 | Yes | MAJ |
| Government-owned land | 1 341 | 3 331 | 5 478 | No | MAJ |
| Land and buildings | 10 | 1 211 | 4 | No | MAJ |
| Wind power – Annual rate for reserved land area | — | 0 | 185 | Yes | MAJ |
| Leasing of land to develop water power | 165 | 148 | 152 | Yes | MAJ |
| Land sales and leasing expenses | 510 | 599 | 395 | No | MAJ |
| Leasing and concessions | 9 939 | 11 000 | 10 903 | Yes | MAJ |
| Recoveries from third parties | — | 0 | 22 | No | MAJ |
| Registrations of transfers | 101 | 208 | 185 | Yes | AD |
| Land surveying | 29 | 25 | 50 | Yes | MAJ |
| Registration fees for drawings by lots | 246 | 60 | 497 | No | MAJ |
| Access to information | 3 | 0 | 0 | No | AD |
| Research fees | 2 | 3 | 0 | No | MAJ |
| **Subtotal** | **12 821** | **16 825** | **18 114** | | |
| **TOTAL** | **174 555** | **129 527** | **57 782** | | |

## Revenu

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Logging profits | 2 188 | – 244 | – 3 697 | No | AD |
| Honoraria – Public records | 4 427 | 3 951 | 3 044 | Yes | MAJ |
| Creation and modification of legal persons | 10 854 | 17 137 | 10 948 | No | AD |
| Legal publicity of enterprises | 29 754 | 39 235 | 42 541 | No | AD |
| Annual reports of companies | 0 | 14 | 16 | No | AD |
| Land transfers | – 2 | 0 | 0 | No | AD |
| Registration of tax shelters and flow-through shares | 360 | 540 | 627 | No | AD |
| International and interprovincial carriers | 766 | 724 | 677 | No | AD |
| **Subtotal** | **48 348** | **61 357** | **54 156** | | |
| **Sales of goods and services** | | | | | |
| Photocopies of documents | 0 | 188 | 205 | No | AD |
| Judicial instruments | 197 | 215 | 249 | No | AD |
| Advance rulings | 135 | 105 | 71 | No | AD |
| **Subtotal** | **332** | **508** | **525** | | |
| **TOTAL** | **48 680** | **51 865** | **54 681** | | |

## Santé et Services sociaux

| | | | | | |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Private hospitals and other institutions | 1 581 | 1 663 | 1 614 | Yes | AD |
| **Subtotal** | **1 581** | **1 663** | **1 614** | | |
| **Sales of goods and services** | | | | | |
| Forms and documents | 20 | 15 | 10 | Yes | C |
| Third-party responsibility – Internal | 6 631 | 6 222 | 7 531 | No | CR |
| Third-party responsibility – External | 1 119 | 1 344 | 1 729 | No | CR |
| Hospital insurance for foreigners | 168 | 149 | 169 | No | AD |
| **Subtotal** | **7 938** | **7 729** | **9 439** | | |
| **TOTAL** | **9 518** | **9 393** | **11 053** | | |

## Sécurité publique

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **DEPARTMENT** | | | | | |
| **Fees and permits** | | | | | |
| Detective or security agencies | 1 330 | 570 | 517 | Yes | AD |
| **Subtotal** | **1 330** | **570** | **517** | | |
| **Sales of goods and services** | | | | | |
| Forms and documents | 0 | 30 | 29 | No | AD |
| Room and board | 2 800 | 3 134 | 3 245 | Yes | CR |
| Conciliation and investigations – Police ethics | 743 | 575 | 824 | No | C |
| Other | 0 | 8 | 9 | | |
| **Subtotal** | **3 543** | **3 746** | **4 107** | | |
| **TOTAL** | **4 873** | **4 316** | **4 624** | | |
| **RÉGIE DES ALCOOLS, DES COURSES ET DES JEUX** | | | | | |
| **Fees and permits** | | | | | |
| Retailers | 20 930 | 21 025 | 21 711 | Yes | AD |
| Industrial beverage production | 587 | 633 | 638 | Yes | AD |
| Promotional contests | 4 507 | 4 653 | 4 578 | No | AD |
| Amusement machines | 2 901 | 2 971 | 2 868 | No | AD |
| Bingo | 1 498 | 1 122 | 2 285 | Yes | AD |
| Lotteries - Draws | 1 794 | 2 190 | 1 652 | No | AD |
| Lotteries – Agricultural fairs | 0 | 0 | 5 | No | AD |
| Lotteries - Video | 923 | 931 | 918 | Yes | AD |
| Races | 182 | 180 | 120 | Yes | AD |
| Combat sports | 25 | 36 | 33 | Yes | AD |
| Organization – Combat sports shows | 176 | 179 | 306 | Yes | AD |
| File processing | 969 | 875 | 918 | Yes | AD |
| Other | 8 | 10 | 5 | No | AD |
| **TOTAL** | **34 500** | **34 805** | **36 037** | | |

## Sécurité publique (cont.)

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **SURETÉ DU QUÉBEC** | | | | | |
| **Fees and permits** | | | | | |
| Detective or security agencies | 0 | 890 | 887 | Yes | C |
| Explosives permits | 265 | 267 | 301 | Yes | AD |
| **Subtotal** | **265** | **1 157** | **1 188** | | |
| **Sales of goods and services** | | | | | |
| Fees for verification of criminal record | 172 | 543 | 647 | Yes | C |
| Administrative expenses – Target shooting club permits | 0 | 0 | 1 | No | AD |
| **Subtotal** | **172** | **543** | **648** | | |
| **TOTAL** | **437** | **1 700** | **1 836** | | |
| **TOTAL – SÉCURITÉ PUBLIQUE** | **39 810** | **40 821** | **42 497** | | |

## Transports

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **DEPARTMENT** | | | | | |
| **Fees and permits** | | | | | |
| Vehicle registration – Fees | 654 462 | 669 033 | 680 917 | No | AD |
| Drivers | 81 413 | 82 730 | 85 645 | No | AD |
| Commercial tourism signage | 25 | 21 | 12 | No | AD |
| Fees for commercial operations | 0 | 5 | 5 | No | — |
| **Subtotal** | **735 900** | **751 789** | **766 579** | | |
| **Sales of goods and services** | | | | | |
| Forms and documents | 3 | 1 | 1 | No | — |
| Photocopies of documents | 0 | 0 | 1 | No | — |
| Equipment and supplies | 2 | 6 | 12 | Yes | MAJ |
| Gas and oil | 0 | 6 | 0 | No | MAJ |
| Machinery and equipment rental | 0 | 1 | 0 | No | — |
| Rental of electrical installations | 0 | 3 | 2 | No | AD |
| Land and buildings | 6 427 | 3 897 | 12 663 | Yes | MAJ |
| Land and building leasing | 1 648 | 1 741 | 2 342 | Yes | MAJ |
| Leasing of parking spaces | 12 | 12 | 19 | No | MAJ |
| Leasing of space for telephone booths | 7 | 1 | 5 | No | MAJ |
| Technical assistance and support | 0 | 116 | 92 | No | AD |
| Access to information | 1 | 1 | 1 | No | — |
| Laboratory analyses | 0 | 81 | 34 | No | C |
| Landing fees | 0 | 0 | – 69 | No | AD |
| Boat landing fees | 341 | 317 | 307 | No | CR |
| **Subtotal** | **8 442** | **6 183** | **15 410** | | |
| **TOTAL** | **744 342** | **757 972** | **781 989** | | |

## Transport (cont.)
(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **COMMISSION DES TRANSPORTS** | | | | | |
| **Fees and permits** | | | | | |
| Commercial public transit | 694 | 694 | 712 | Yes | AD |
| Registration and updating fees - Category A1 | 2 090 | 2 057 | 2 167 | Yes | AD |
| Registration and updating fees - Category A2 | 1 909 | 1 916 | 2 021 | Yes | AD |
| Registration and renewal fees - Transportation service intermediaries | 122 | 106 | 102 | Yes | AD |
| Licence transfers | 802 | 763 | 669 | No | AD |
| **Subtotal** | **5 617** | **5 535** | **5 671** | | |
| **Sales of goods and services** | | | | | |
| Photocopies of documents | 2 | 2 | 1 | Yes | AD |
| Equipment and supplies | 14 | 25 | 20 | Yes | AD |
| Publication fees - Licence applications | 101 | 102 | 105 | Yes | AD |
| **Subtotal** | **117** | **129** | **126** | | |
| **TOTAL** | **5 733** | **5 664** | **5 797** | | |
| **TOTAL - TRANSPORTS** | **750 075** | **763 636** | **787 786** | | |

## Travail

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Forms and documents | 70 | 72 | 23 | Yes | CR |
| Other | 0 | 1 | 0 | No | CR |
| **Subtotal** | **70** | **73** | **23** | | |
| **TOTAL** | **70** | **73** | **23** | | |

# 5.2 Appendix 2 – Detailed tables of the user fee revenues of government organizations

## Agence de l'efficacité énergétique

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Contributions from beneficiaries | 147 | 4 372 | 6 742 | No | MAJ |
| **Subtotal** | **147** | **4 372** | **6 742** | | |
| **TOTAL** | **147** | **4 372** | **6 742** | | |

## Agence métropolitaine de transport

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Revenues from the sale of TRAM passes | 63 742 | 73 428 | 81 965 | No | — |
| Revenues from commuter trains | 41 128 | 42 299 | 44 457 | Yes | — |
| Revenues from metropolitan service | 1 681 | 2 295 | 2 373 | Yes | — |
| **Subtotal** | **106 551** | **118 022** | **128 795** | | |
| **TOTAL** | **106 551** | **118 022** | **128 795** | | |

## Autorité des marchés financiers

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| File processing | 486 | — | — | Yes | — |
| Insurance companies | 28 | — | — | No | — |
| Incorporation of deposit-taking institutions | 14 | — | — | No | — |
| Trust companies and savings companies | 37 | — | — | No | — |
| Examinations | 1 118 | — | — | Yes | — |
| Fees – Centre collégial de formation à distance | 13 | 0 | 0 | No | MAJ |
| Contributions from trust companies and savings companies | 1 128 | — | — | No | — |
| Contributions from insurance companies | 7 804 | — | — | No | — |
| Inspection fees – Deposit-taking institutions | 78 | — | — | No | — |
| Contributions from cooperatives and financial services | 3 181 | — | — | No | — |
| Contributions | 8 967 | — | — | Yes | — |
| Analysis of distribution guides | 40 | 49 | 151 | No | AD |
| Corporate financing | 35 142 | 34 694 | 30 646 | No | MAJ |
| Registrations | 6 587 | 7 158 | 7 778 | No | MAJ |
| Financial information | 5 291 | 4 682 | 4 383 | No | MAJ |
| Inspections | 211 | 9 | 157 | No | MAJ |
| Certification of representatives | — | 4 615 | 5 051 | Yes | AD |
| Annual contributions | — | 14 062 | 18 152 | No | CR |
| Administration of examinations and training sessions | — | 1 664 | 1 605 | Yes | AD |
| Registrations of firms | — | 5 162 | 5 250 | Yes | AD |
| Other services | 515 | 176 | 125 | Yes | AD |
| **Subtotal** | **70 640** | **72 271** | **73 369** | | |
| **Sales of goods and services** | | | | | |
| User fees – Fonds d'assurance-dépôt | 12 560 | 12 090 | 12 760 | No | AD |
| Forms, documentation and information | 944 | 1 087 | 1 342 | Yes | AD |
| Honoraria of clearing housings | 201 | 209 | 214 | Yes | CR |
| **Subtotal** | **13 705** | **13 386** | **14 316** | | |
| **TOTAL** | **84 345** | **85 657** | **87 685** | | |

## Bibliothèque et Archives nationales du Québec

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Sale of miscellaneous goods and services | 1 198 | 2 042 | 2 077 | Yes | CR |
| **Subtotal** | **1 198** | **2 042** | **2 077** | | |
| **TOTAL** | **1 198** | **2 042** | **2 077** | | |

## Bureau de décision et de révision en valeurs mobilières

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Fees payable to the Bureau de décision et de révision en valeurs mobilières | 3 | 4 | 7 | No | AD |
| **Subtotal** | **3** | **4** | **7** | | |
| **TOTAL** | **3** | **4** | **7** | | |

## Centre de recherche industrielle du Québec

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Sales of services | 6 885 | 7 695 | 8 860 | No | MAJ |
| Space leasing | 829 | 302 | 218 | No | C |
| Research and development | 2 885 | 5 429 | 4 110 | No | MAJ |
| **Subtotal** | **10 599** | **13 426** | **13 188** | | |
| **TOTAL** | **10 599** | **13 426** | **13 188** | | |

## Centre de services partagés du Québec

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Sales of services | 165 | 63 | 0 | No | C |
| Government information | 22 648 | 7 225 | 9 926 | No | C |
| Information and communications technologies | 13 737 | 7 889 | 0 | No | C |
| Integrated resource management | 352 | 83 | 12 | No | CR |
| Government reprographics | 169 | 4 | 21 | No | C |
| Supplies and furnishings | 17 361 | 13 601 | 1 481 | No | C |
| Office automation equipment maintenance services | 139 | 45 | 9 | No | C |
| Government mail service | 1 207 | 968 | 213 | No | C |
| Semicurrent records centre | 390 | 211 | 2 | No | C |
| Disposition of surpluses and acquisitions | 16 929 | 9 107 | 2 808 | No | C |
| Adjustments | – 43 797 | – 14 192 | — | — | — |
| **Subtotal** | **29 300** | **25 004** | **18 084** | | |
| **TOTAL** | **29 300** | **25 004** | **18 084** | | |

## Commission de la capitale nationale du Québec

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Rental income | 168 | 158 | 167 | No | MAJ |
| Ticket office | 161 | 172 | 216 | No | MAJ |
| Educational and cultural activities | 132 | 149 | 199 | No | MAJ |
| By-products | 28 | 23 | 33 | No | MAJ |
| Sales of publications | 22 | 12 | 73 | No | MAJ |
| **Subtotal** | **511** | **514** | **686** | | |
| **TOTAL** | **511** | **514** | **686** | | |

## Commission des lésions professionnelles

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Publications and services | 10 | 9 | 9 | No | AD |
| **Subtotal** | **10** | **9** | **9** | | |
| **TOTAL** | **10** | **9** | **9** | | |

## Commission des normes du travail

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Lumps sum amounts on claims collected from employers | 196 | 68 | 40 | No | AD |
| Employer contributions | 54 702 | 55 129 | 59 932 | No | CR |
| Claims collected on behalf of wage earners whose whereabouts are unknown | 18 | 0 | 34 | No | AD |
| Sales of publications | 5 | 4 | 4 | No | AD |
| Employer seminars | 0 | 147 | 144 | No | AD |
| **Subtotal** | **54 920** | **55 348** | **60 153** | | |
| **TOTAL** | **54 920** | **55 348** | **60 153** | | |

## Commission des relations du travail

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Forms and documents | 6 | 8 | 9 | Yes | AD |
| **Subtotal** | **6** | **8** | **9** | | |
| **TOTAL** | **6** | **8** | **9** | | |

## Commission des services juridiques

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Services requiring a contribution - Contributions from beneficiaries | 1 449 | 1 510 | 1 743 | No | AD |
| Reimbursement of legal aid costs | 438 | 527 | 566 | No | CR |
| **Subtotal** | **1 887** | **2 037** | **2 309** | | |
| **TOTAL** | **1 887** | **2 037** | **2 309** | | |

## Conservatoire de musique et d'art dramatique du Québec

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Photocopies of documents | 0 | 4 | 4 | No | AD |
| Courses | 0 | 395 | 429 | No | AD |
| Instructional material | 0 | 13 | 12 | No | AD |
| Continuing education - Conservatoire de musique et d'art dramatique | 0 | 43 | 97 | No | AD |
| Other revenues | 0 | 88 | 89 | No | AD |
| Admission fees | 0 | 33 | 37 | No | AD |
| Technical assistance and support | 0 | 175 | 170 | No | AD |
| **Subtotal** | **0** | **751** | **837** | | |
| **TOTAL** | **0** | **751** | **837** | | |

## Corporation d'Urgences-santé

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Sale of miscellaneous goods and services | 564 | 1 656 | 378 | No | AD |
| Ambulance transport - Individuals | 6 876 | 6 919 | 6 935 | No | AD |
| Ambulance transport - Other | 360 | 483 | 362 | No | AD |
| **Subtotal** | **7 800** | **9 058** | **7 674** | | |
| **TOTAL** | **7 800** | **9 058** | **7 674** | | |

## École nationale de police du Québec

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Contributions from police forces | 9 581 | 6 184 | 6 582 | No | AD |
| Tuition fees, registration, accommodation and other | 10 500 | 7 681 | 9 832 | Yes | CR |
| **Subtotal** | **20 081** | **13 865** | **16 414** | | |
| **TOTAL** | **20 081** | **13 865** | **16 414** | | |

## École nationale des pompiers du Québec

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Courses | 1 425 | 1 536 | 1 448 | Yes | AD |
| Instructional material | 98 | 110 | 108 | No | AD |
| Other | 37 | 71 | 71 | No | AD |
| **Subtotal** | **1 560** | **1 717** | **1 627** | | |
| **TOTAL** | **1 560** | **1 717** | **1 627** | | |

## Fondation de la faune du Québec

| | | | | | |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Contributions collected on hunting, fishing and trapping licences | 3 101 | 3 203 | 3 157 | No | AD |
| **Subtotal** | **3 101** | **3 203** | **3 157** | | |
| **TOTAL** | **3 101** | **3 203** | **3 157** | | |

## Fonds de développement du marché du travail

| | | | | | |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Certificates of qualification – Gas | 531 | 413 | – 1 | Yes | CR |
| Stationary machine mechanics | 429 | 309 | 0 | Yes | CR |
| Other technicians | 883 | 835 | – 2 | Yes | CR |
| Halocarbon environmental qualification | 40 | 268 | 0 | No | CR |
| Occupational qualification in drinking water | 66 | 57 | 0 | No | CR |
| Interprovincial examinations | 43 | 53 | 54 | Yes | CR |
| Pressure vessels | 74 | 53 | 0 | Yes | CR |
| Regulated qualification | 0 | 219 | 1 965 | No | CR |
| Halocarbons, drinking water and welder | 0 | 43 | 258 | No | CR |
| **Subtotal** | **2 065** | **2 248** | **2 274** | | |
| **TOTAL** | **2 065** | **2 248** | **2 274** | | |

## Fonds de fourniture de biens ou de services du ministère de l'Emploi et de la Solidarité sociale

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Professional services | 30 | 414 | 256 | No | CR |
| **Subtotal** | **30** | **414** | **256** | | |
| **TOTAL** | **30** | **414** | **256** | | |

## Fonds de gestion de l'équipement roulant

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Machinery and equipment rental | 17 641 | 19 929 | 18 662 | Yes | C |
| **Subtotal** | **17 641** | **19 929** | **18 662** | | |
| **TOTAL** | **17 641** | **19 929** | **18 662** | | |

## Fonds de partenariat touristique

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Tourism goods and services | 199 | 413 | 368 | No | AD |
| Space rental | 612 | 589 | 624 | Yes | MAJ |
| **Subtotal** | **811** | **1 002** | **992** | | |
| **TOTAL** | **811** | **1 002** | **992** | | |

## Fonds des contributions des automobilistes au transport en commun

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Contributions from motorists - Net | 69 044 | 70 477 | 72 563 | No | AD |
| **Subtotal** | **69 044** | **70 477** | **72 563** | | |
| **TOTAL** | **69 044** | **70 477** | **72 563** | | |

## Fonds des generations (Generations Fund)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Water power | 11 416 | 7 643 | 9 182 | Yes | MAJ |
| Electrical power generated | 0 | 38 094 | 78 937 | Yes | MAJ |
| **Subtotal** | **11 416** | **45 737** | **88 118** | | |
| **TOTAL** | **11 416** | **45 737** | **88 118** | | |

## Fonds des pensions alimentaires

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Arrears fees and other | 850 | 785 | 835 | Yes | AD |
| **Subtotal** | **850** | **785** | **835** | | |
| **TOTAL** | **850** | **785** | **835** | | |

## Fonds des registres du ministère de la Justice

| | | | | | |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Commissioners for oaths | 588 | 662 | 608 | No | AD |
| **Subtotal** | **588** | **662** | **608** | | |
| **Sales of goods and services** | | | | | |
| Forms and documents | 2 000 | 3 | 3 | No | AD |
| Services rendered by registry offices - Net | 27 428 | 28 385 | 27 385 | No | MAJ |
| Certification fees | 12 | 13 | 11 | No | MAJ |
| Registry of lobbyists | 15 | 15 | 17 | No | MAJ |
| **Subtotal** | **29 455** | **28 417** | **27 416** | | |
| **TOTAL** | **30 043** | **29 078** | **28 024** | | |

## Fonds des services de police

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Police services | 231 385 | 236 269 | 243 208 | Yes | C |
| Police services - Federal bridges | 3 478 | 3 544 | 3 601 | Yes | C |
| Sale of miscellaneous goods and services | 787 | 1 711 | 1 131 | Yes | C |
| **Subtotal** | **235 650** | **241 524** | **247 941** | | |
| **TOTAL** | **235 650** | **241 524** | **247 941** | | |

## Fonds d'information foncière

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Fees and honoraria collected by registrars in respect of the reform of the cadastre | 38 982 | 42 002 | 43 163 | Yes | CR |
| Sales of cadastral registrations and services rendered | 3 426 | 3 825 | 3 776 | Yes | CR |
| Services rendered by registry offices | 72 736 | 76 624 | 77 979 | Yes | CR |
| Sale of miscellaneous goods and services | 882 | 1 059 | 1 0561 | No | AD |
| **Subtotal** | **116 026** | **123 511** | **125 969** | | |
| **TOTAL** | **116 026** | **123 511** | **125 969** | | |

## Fonds d'information géographique

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Specialized services | 0 | 4 326 | 4 364 | No | CR |
| Sales | 1 527 | 762 | 625 | No | C |
| **Subtotal** | **1 527** | **5 089** | **4 989** | | |
| **TOTAL** | **1 527** | **5 089** | **4 989** | | |

## Fonds du Centre financier de Montréal

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| File processing | 826 | 502 | 491 | No | AD |
| Annual contribution – Financial centres | 450 | 373 | 367 | No | AD |
| **Subtotal** | **1 276** | **875** | **858** | | |
| **TOTAL** | **1 276** | **875** | **858** | | |

## Fonds du service aérien gouvernemental

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Air service | 27 215 | 52 007 | 64 378 | No | CR |
| **Subtotal** | **27 215** | **52 007** | **64 378** | | |
| **TOTAL** | **27 215** | **52 007** | **64 378** | | |

## Fonds forestier

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008–2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Contributions from beneficiaries | 19 273 | 0 | 0 | No | AD |
| **Subtotal** | **19 273** | **0** | **0** | | |
| **TOTAL** | **19 273** | **0** | **0** | | |

## Fonds pour la vente de biens et services du ministère des Transports

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Concession holders' fees | 2 843 | 1 414 | 1 011 | No | MAJ |
| Road and information signs | 6 731 | 7 092 | 6 542 | No | — |
| **Subtotal** | **9 574** | **8 506** | **7 553** | | |
| **TOTAL** | **9 574** | **8 506** | **7 553** | | |

## Fonds vert (Green Fund)

| | | | | | |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Fees – Climate change | 0 | 100 376 | 203 221 | No | AD |
| Fees – Residual materials | 47 779 | 64 458 | 66 631 | No | AD |
| Authorizations under the EQA[1] | 0 | 0 | 3 210 | Yes | AD |
| **Subtotal** | **47 779** | **164 834** | **273 062** | | |
| **TOTAL** | **47 779** | **164 834** | **273 062** | | |

## Héma-Québec

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Blood products sold outside Québec | 394 | 355 | 473 | No | C |
| **Subtotal** | **394** | **355** | **473** | | |
| **TOTAL** | **394** | **355** | **473** | | |

## Institut de la statistique du Québec

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Sales of services | 2 060 | 3 121 | 1 441 | No | CR |
| **Subtotal** | **2 060** | **3 121** | **1 441** | | |
| **TOTAL** | **2 060** | **3 121** | **1 441** | | |

[1] Environment Quality Act.

## Institut de tourisme et d'hôtellerie du Québec

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Retraining, ongoing training and tailor-made training | 598 | — | — | — | — |
| Regular instruction | 565 | — | — | — | — |
| Food service | 2 391 | — | — | — | — |
| Accommodation | 1 166 | — | — | — | — |
| Professional services | 801 | — | — | — | — |
| Other revenues | 797 | — | — | — | — |
| Teaching hotel | — | 3 027 | 3 035 | No | MAJ |
| Professional services and continuing education | — | 361 | 353 | No | MAJ |
| Subsidized training | — | 1 066 | 1 137 | No | MAJ |
| Research | — | 74 | 101 | No | AD |
| **Subtotal** | **6 318** | **4 528** | **4 625** | | |
| **TOTAL** | **6 318** | **4 528** | **4 625** | | |

## Institut national de santé publique du Québec

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Miscellaneous | 3 151 | 5 781 | 6 495 | No | C |
| **Subtotal** | **3 151** | **5 781** | **6 495** | | |
| **TOTAL** | **3 151** | **5 781** | **6 495** | | |

## Investissement Québec

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Attestations | 3 687 | 3 832 | 4 298 | Yes | CR |
| Guarantee fees | 22 073 | 35 187 | 36 945 | No | MAJ |
| Commitment fees | 6 599 | 6 373 | 7 268 | No | MAJ |
| **Subtotal** | **32 359** | **45 392** | **48 511** | | |
| **TOTAL** | **32 359** | **45 392** | **48 511** | | |

## La Financière agricole du Québec

| | | | | | |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Administrative fees | 3 209 | 2 452 | 2 386 | No | AD |
| Other | 2 497 | 2 018 | 2 651 | No | AD |
| **Subtotal** | **5 706** | **4 470** | **5 037** | | |
| **TOTAL** | **5 706** | **4 470** | **5 037** | | |

## Musée d'art contemporain de Montréal

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Space rental | 143 | 198 | 159 | No | MAJ |
| Exhibition rentals | 47 | 35 | 156 | No | AD |
| Ticket office | 424 | 432 | 449 | No | MAJ |
| Publications | 22 | 18 | 27 | No | C |
| Educational and cultural activities | 121 | 153 | 144 | Yes | CR |
| Fees - Food services | 53 | 51 | 6 | Yes | MAJ |
| Miscellaneous | 176 | 15 | 4 | No | CR |
| **Subtotal** | **986** | **902** | **945** | | |
| **TOTAL** | **986** | **902** | **945** | | |

## Musée de la civilisation

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Leasing and concessions | 559 | 528 | 705 | No | MAJ |
| Exhibition rentals | 2 | 224 | 316 | No | CR |
| Ticket office | 886 | 1 188 | 1 237 | No | MAJ |
| Gift shop | 603 | 710 | 576 | No | C |
| Sponsorships in exchange for the mounting of exhibitions | 408 | 786 | 2 052 | No | AD |
| Sales of goods and services | 439 | 402 | 973 | No | CR |
| Miscellaneous | 336 | 91 | 428 | No | CR |
| **Subtotal** | **3 233** | **3 928** | **6 286** | | |
| **TOTAL** | **3 233** | **3 928** | **6 286** | | |

## Musée national des beaux-arts du Québec

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Rental and dissemination of art works and exhibitions | 485 | 299 | 311 | No | AD |
| Sponsorships and advertising | 394 | 464 | 1 181 | No | AD |
| Gift shop and publications | 820 | 691 | 1 050 | No | C |
| Space rental and allied services | 315 | 293 | 371 | No | MAJ |
| Educational and cultural activities | 213 | 205 | 414 | No | AD |
| Fees - Food services | 171 | 199 | 294 | No | AD |
| Ancillary operations - Parking | 215 | 232 | 377 | No | MAJ |
| Ticket office and cloakrooms | 1 306 | 1 571 | 2 967 | No | MAJ |
| Miscellaneous | 43 | 58 | 71 | No | CR |
| **Subtotal** | **3 962** | **4 011** | **7 037** | | |
| **TOTAL** | **3 962** | **4 011** | **7 037** | | |

## Office des professions du Québec

(thousands of dollars)

|  | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** |  |  |  |  |  |
| Contributions from members of professional corporations | 5 468 | 7 107 | 8 296 | Yes | CR |
| **Subtotal** | **5 468** | **7 107** | **8 296** |  |  |
| **TOTAL** | **5 468** | **7 107** | **8 296** |  |  |

## Régie de l'assurance maladie du Québec

|  |  |  |  |  |  |
|---|---|---|---|---|---|
| **Sales of goods and services** |  |  |  |  |  |
| Recovery from third parties and foreign nationals in respect of hospital care | 2 661 | 2 850 | 3 148 | No | CR |
| Reciprocal agreements with the other provinces | 32 923 | 36 839 | 32 716 | No | CR |
| Miscellaneous | 5 823 | 6 040 | 7 118 | No | MAJ |
| **Subtotal** | **41 407** | **45 729** | **42 982** |  |  |
| **TOTAL** | **41 407** | **45 729** | **42 982** |  |  |

## Régie de l'énergie

|  |  |  |  |  |  |
|---|---|---|---|---|---|
| **Sales of goods and services** |  |  |  |  |  |
| Fees – Remuneration and operations | 1 716 | 3 167 | 3 038 | Yes | CR |
| **Subtotal** | **1 716** | **3 167** | **3 038** |  |  |
| **TOTAL** | **1 716** | **3 167** | **3 038** |  |  |

## Régie des installations olympiques
(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Sports and tourism facilities – Admission fees | 4 569 | 4 581 | 4 658 | No | AD |
| Sports and tourism facilities – Rent | 1 690 | 1 648 | 1 191 | Yes | MAJ |
| Sports and tourism facilities – Advertising | 476 | 432 | 385 | No | AD |
| Parking lots and cloakrooms | 2 374 | 2 720 | 2 672 | No | MAJ |
| Souvenirs | 594 | 642 | 695 | No | MAJ |
| Concession holders' fees | 1 001 | 1 767 | 660 | No | MAJ |
| Commercial space and offices | 1 689 | 1 613 | 1 653 | Yes | MAJ |
| Recovery of the cost of energy supplied to third parties | 3 824 | 3 963 | 3 893 | Yes | CR |
| Work and services invoiced to third parties | 2 104 | 2 266 | 859 | Yes | CR |
| Miscellaneous | 177 | 305 | 591 | No | AD |
| **Subtotal** | **18 498** | **19 935** | **17 256** | | |
| **TOTAL** | **18 498** | **19 935** | **17 256** | | |

## Régie du bâtiment du Québec

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Liquefied petroleum gas sales | 437 | 470 | 451 | Yes | C |
| Registration – Use of liquefied petroleum gas | 209 | 214 | 226 | Yes | C |
| Installation of gas | 4 | 3 | 0 | Yes | C |
| Inspection fees – Gas distribution | 2 313 | 2 507 | 2 193 | Yes | C |
| User permit – High-risk petroleum equipment | 0 | 1 656 | 1 987 | Yes | C |
| Electrical installations | 13 074 | 13 429 | 14 322 | Yes | C |
| Installations of fixed machines | 2 661 | 2 517 | 2 169 | Yes | C |
| Pipefitting contractors | 4 224 | 4 603 | 4 597 | Yes | C |
| Construction contractors | 21 952 | 22 847 | 22 930 | Yes | C |
| Mechanical games and lifts | 281 | 222 | 225 | Yes | C |
| Lifting gear | 1 539 | 1 508 | 1 561 | Yes | C |
| **Subtotal** | **46 694** | **49 975** | **50 661** | | |
| **Sales of goods and services** | | | | | |
| Forms and documents | 35 | 24 | 105 | Yes | AD |
| **Subtotal** | **35** | **24** | **105** | | |
| **TOTAL** | **46 728** | **49 999** | **50 765** | | |

## Régie du cinéma

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Examination fees – Film classification requests | 1 513 | 1 385 | 1 155 | No | AD |
| Examination fees – Permit applications | 90 | 89 | 80 | No | AD |
| Permits | 1 097 | 1 046 | 934 | No | AD |
| Video material control | 13 278 | 11 475 | 10 328 | No | AD |
| **Subtotal** | **15 978** | **13 994** | **12 497** | | |
| **TOTAL** | **15 978** | **13 994** | **12 497** | | |

## Services Québec

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Applications for certification | 17 612 | 15 492 | 13 592 | No | C |
| Late registrations | 74 | 82 | 84 | No | C |
| Name changes | 155 | 181 | 147 | No | C |
| Attestations | 128 | 4 | 381 | No | C |
| Electronic data transfer | 207 | 716 | 1 445 | No | C |
| Miscellaneous | 34 | 160 | 295 | No | C |
| **Subtotal** | **18 210** | **16 615** | **15 943** | | |
| **TOTAL** | **18 210** | **16 615** | **15 943** | | |

## Société de développement de la Baie-James

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Sales | 5 574 | 6 197 | 4 924 | Yes | MAJ |
| Leasing of immovable property | 1 353 | 1 365 | 372 | Yes | MAJ |
| Management fees | 1 205 | 1 134 | 1 171 | Yes | MAJ |
| Service delivery | 12 423 | 13 320 | 12 772 | Yes | CR |
| **Subtotal** | **20 555** | **22 017** | **19 239** | | |
| **TOTAL** | **20 555** | **22 017** | **19 239** | | |

## Société de développement des entreprises culturelles
(thousands of dollars)

|  | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** |  |  |  |  |  |
| File processing | 111 | 119 | 131 | No | AD |
| Guarantee fees | 474 | 428 | 421 | No | AD |
| Ticket office | 42 | 42 | 0 | No | AD |
| Certification fees | 1 464 | 1 464 | 1 535 | No | AD |
| Built heritage - Rents and other | 1 529 | 1 564 | 1 626 | Yes | AD |
| Fees - Loan applications | 0 | 0 | 141 | No | AD |
| **Subtotal** | **3 620** | **3 618** | **3 854** |  |  |
| **TOTAL** | **3 620** | **3 618** | **3 854** |  |  |

## Société de financement des infrastructures locales du Québec

|  |  |  |  |  |  |
|---|---|---|---|---|---|
| **Fees and permits** |  |  |  |  |  |
| Additional registration fees - Big-engined vehicles | 44 653 | 48 424 | 52 424 | No | AD |
| **Subtotal** | **44 653** | **48 424** | **52 424** |  |  |
| **TOTAL** | **44 653** | **48 424** | **52 424** |  |  |

## Société de la Place des Arts de Montréal

|  |  |  |  |  |  |
|---|---|---|---|---|---|
| **Sales of goods and services** |  |  |  |  |  |
| Ancillary services | 3 956 | 4 194 | 3 662 | Yes | MAJ |
| Commercial space and offices | 1 826 | 2 024 | 2 051 | Yes | MAJ |
| Auditorium rental | 3 473 | 3 848 | 3 994 | Yes | MAJ |
| Fees and other ticket office revenues | 2 662 | 3 198 | 3 444 | Yes | MAJ |
| Sponsorships and advertising | 575 | 579 | 519 | No | MAJ |
| Stage services | 22 | — | — | Yes | — |
| **Subtotal** | **12 514** | **13 843** | **13 670** |  |  |
| **TOTAL** | **12 514** | **13 843** | **13 670** |  |  |

## Société de l'assurance automobile du Québec

|  |  |  |  |  |  |
|---|---|---|---|---|---|
| **Fees and permits** |  |  |  |  |  |
| Registration fees - Roadside inspections | 54 720 | 59 666 | 58 758 | No | CR |
| **Subtotal** | **54 720** | **59 666** | **58 758** |  |  |
| **Sales of goods and services** |  |  |  |  |  |
| Management fees | 100 938 | 100 716 | 104 231 | No | AD |
| **Subtotal** | **100 938** | **100 716** | **104 231** |  |  |
| **TOTAL** | **155 658** | **160 382** | **162 989** |  |  |

## Société de télédiffusion du Québec (Télé-Québec)

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Other revenues | 15 563 | 651 | 516 | No | MAJ |
| Space rental and allied services | 0 | 3 631 | 2 722 | No | MAJ |
| Advertising | 0 | 11 451 | 10 435 | No | MAJ |
| By-products | 0 | 424 | 197 | No | MAJ |
| Programming revenues | 0 | 2 649 | 3 066 | No | MAJ |
| **Subtotal** | **15 563** | **18 806** | **16 936** | | |
| **TOTAL** | **15 563** | **18 806** | **16 936** | | |

## Société des établissements de plein air du Québec

| | | | | | |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Admission fees to parks and reserves | 4 975 | 5 295 | 5 236 | No | AD |
| **Subtotal** | **4 975** | **5 295** | **5 236** | | |
| **Sales of goods and services** | | | | | |
| Services in parks and reserves | 75 066 | 78 846 | 79 379 | Yes | MAJ |
| **Subtotal** | **75 066** | **78 846** | **79 379** | | |
| **TOTAL** | **80 041** | **84 141** | **84 615** | | |

## Société des traversiers du Québec

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Vehicle transportation | 7 828 | 8 244 | 8 657 | Yes | MAJ |
| Passenger transportation | 6 458 | 6 718 | 7 206 | Yes | MAJ |
| Miscellaneous | 834 | 847 | 626 | No | MAJ |
| **Subtotal** | **15 120** | **15 809** | **16 489** | | |
| **TOTAL** | **15 120** | **15 809** | **16 489** | | |

## Société d'habitation du Québec

| | | | | | |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Honoraria – Immobilière SHQ | 529 | 526 | 0 | No | CR |
| Honoraria – Société de gestion immobilière SHQ | 60 | 60 | 70 | No | AD |
| Honoraria – Miscellaneous bodies | 49 | 25 | 85 | No | CR |
| **Subtotal** | **638** | **611** | **155** | | |
| **TOTAL** | **638** | **611** | **155** | | |

## Société du Centre des congrès de Québec

(thousands of dollars)

| Sales of goods and services | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| Space rental - Events | 2 182 | 2 430 | 3 350 | Yes | MAJ |
| Fees - Food services | 1 249 | 2 085 | 2 569 | Yes | MAJ |
| Fees - Other | 22 | 73 | 158 | Yes | MAJ |
| Optional services - Handling, shipping and securing | 444 | 637 | 896 | Yes | MAJ |
| Optional services - Electricity, plumbing and other technical personnel | 429 | 580 | 657 | Yes | MAJ |
| Optional services - Housekeeping | 16 | 29 | 25 | Yes | MAJ |
| Optional services - Outfitting and furnishing | 312 | 365 | 502 | Yes | MAJ |
| Optional services - Audiovisual, PA equipment and lighting | 97 | 63 | 101 | Yes | MAJ |
| Optional services - Telecommunications | 272 | 328 | 545 | Yes | MAJ |
| Optional services - Reception, ticket office, cloakroom | 132 | 173 | 145 | Yes | MAJ |
| Optional services - Security | 44 | 40 | 104 | Yes | MAJ |
| Optional services - Other | 133 | 65 | 153 | Yes | MAJ |
| Fees - Audiovisual services | 286 | 393 | 838 | Yes | MAJ |
| **Subtotal** | **5 616** | **7 261** | **10 041** | | |
| **TOTAL** | **5 616** | **7 261** | **10 041** | | |

## Société du Grand Théâtre de Québec

| Sales of goods and services | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| Leasing of parking spaces | 103 | 117 | 114 | Yes | MAJ |
| Ticket office | 1 777 | 2 143 | 1 705 | Yes | MAJ |
| Auditorium rentals | 806 | 837 | 922 | No | MAJ |
| Stage services | 873 | 977 | 930 | No | MAJ |
| Production and presentation of shows | 1 601 | 1 422 | 1 046 | No | MAJ |
| Client services | 113 | 96 | 101 | Yes | MAJ* |
| Miscellaneous | 54 | 51 | 31 | Yes | MAJ |
| **Subtotal** | **5 327** | **5 643** | **4 849** | | |
| **TOTAL** | **5 327** | **5 643** | **4 849** | | |

## Société du Palais des congrès de Montréal

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Space rental - Events | 6 655 | 6 605 | 6 799 | Yes | MAJ |
| Fees - Food services | 2 282 | 2 335 | 2 850 | No | MAJ |
| Fees - Other | 103 | 125 | 71 | No | MAJ |
| Optional services - Housekeeping | 427 | 508 | 492 | No | MAJ |
| Optional services - Telecommunications | 730 | 588 | 629 | No | MAJ |
| Fees - Audiovisual services | 633 | 585 | 895 | No | MAJ |
| Fees - Tickets sold | 445 | 483 | 366 | No | MAJ |
| Ancillary operations - Parking | 1 009 | 1 064 | 1 030 | No | MAJ |
| Ancillary services - Outfitting | 1 380 | 1 154 | 1 227 | No | MAJ |
| Ancillary services - Audiovisual | 488 | 716 | 763 | No | MAJ |
| Ancillary services - Cloakroom | 181 | 162 | 160 | No | MAJ |
| Ancillary services - Crowd controller | 42 | 27 | 36 | No | MAJ |
| Ancillary services - Plumbing and electricity | 1 438 | 1 409 | 1 516 | No | MAJ |
| Ancillary services - Security | 140 | 271 | 207 | No | MAJ |
| Ancillary services - Other | 765 | 803 | 897 | No | MAJ |
| Ancillary services - Dynamic signing | 4 | 3 | 2 | No | MAJ |
| **Subtotal** | **16 722** | **16 838** | **17 939** | | |
| **TOTAL** | **16 722** | **16 838** | **17 939** | | |

## Société du Parc industriel et portuaire de Bécancour

| | | | | | |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Port revenues | 2 607 | 2 974 | 3 543 | No | MAJ |
| **Subtotal** | **2 607** | **2 974** | **3 543** | | |
| **Sales of goods and services** | | | | | |
| Industrial water service | 1 348 | 710 | 673 | Yes | CR |
| Immovable property leasing | 517 | 438 | 496 | Yes | C |
| **Subtotal** | **1 865** | **1 149** | **1 170** | | |
| **TOTAL** | **4 471** | **4 123** | **4 713** | | |

## Société immobilière du Québec

(thousands of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Space rental - Other clients | 41 742 | 44 323 | 36 205 | Yes | C |
| **Subtotal** | **41 742** | **44 323** | **36 205** | | |
| **TOTAL** | **41 742** | **44 323** | **36 205** | | |

## Société québécoise d'assainissement des eaux

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Management fees | 415 | 9 | 18 | No | AD |
| **Subtotal** | **415** | **9** | **18** | | |
| **TOTAL** | **415** | **9** | **18** | | |

## Société québécoise de récupération et de recyclage

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Environmental tax on tires | 22 650 | 23 524 | 23 191 | No | MAJ |
| **Subtotal** | **22 650** | **23 524** | **23 191** | | |
| **Sales of goods and services** | | | | | |
| Revenues from deposit-refund schemes - Bottlers and brewers | 863 | 738 | 793 | No | AD |
| Revenues from industrial agencies | 490 | 508 | 525 | No | AD |
| Revenues - Selective collection compensation | 1 627 | 2 133 | 2 599 | No | MAJ |
| **Subtotal** | **2 980** | **3 379** | **3 917** | | |
| **TOTAL** | **25 630** | **26 903** | **27 108** | | |

## Société québécoise d'information juridique

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Sales of goods and services** | | | | | |
| Miscellaneous | 12 270 | 12 687 | 13 080 | No | C |
| **Subtotal** | **12 270** | **12 687** | **13 080** | | |
| **TOTAL** | **12 270** | **12 687** | **13 080** | | |

## Tribunal administratif du Québec

| | 2006-2007 | 2007-2008 | 2008-2009 | Indexation | Fee-setting method |
|---|---|---|---|---|---|
| **Fees and permits** | | | | | |
| Proceedings | 146 | 433 | 188 | Yes | MAJ |
| **Subtotal** | **146** | **433** | **188** | | |
| **TOTAL** | **146** | **433** | **188** | | |

# Section I

## Additional Information
## Historical Data

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# 1. ADDITIONAL INFORMATION

TABLE I.1

## Summary of consolidated budgetary and financial transactions[1]

(millions of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | 2009-2010[P,2] |
|---|---|---|---|---|
| **BUDGETARY TRANSACTIONS OF THE CONSOLIDATED REVENUE FUND** | | | | |
| Own-source revenue | 49 651 | 49 464 | 48 893 | 47 421 |
| Federal transfers | 11 015 | 13 629 | 14 023 | 15 229 |
| Total budgetary revenue | 60 666 | 63 093 | 62 916 | 62 650 |
| Program spending | – 51 734 | – 54 826 | – 58 550 | – 60 769 |
| Debt service | – 7 039 | – 7 021 | – 6 504 | – 6 154 |
| Total budgetary expenditure | – 58 773 | – 61 847 | – 65 054 | – 66 923 |
| **NET RESULTS OF CONSOLIDATED ENTITIES** | **100** | **404** | **880** | **598** |
| Contingency reserve | | | | – 300 |
| **SURPLUS OR DEFICIT** | **1 993** | **1 650** | **– 1 258** | **– 3 975** |
| ***BALANCED BUDGET ACT*** | | | | |
| Deposit in the Generations Fund | – 584 | – 449 | – 587 | – 715 |
| Amounts used from the reserve | 0 | 0 | 1 845 | 433 |
| Amounts allocated to the reserve | – 1 300 | – 1 201[3] | 0 | 0 |
| **BUDGETARY BALANCE WITHIN THE MEANING OF THE ACT AFTER RESERVE[4]** | **109** | **0** | **0** | **– 4 257** |
| Deposit of dedicated revenues in the Generations Fund | 584 | 449 | 587 | 715 |
| **CONSOLIDATED BUDGETARY BALANCE** | **693** | **449** | **587** | **– 3 542** |
| **CONSOLIDATED NON-BUDGETARY TRANSACTIONS** | | | | |
| Investments, loans and advances | – 2 213 | – 2 658 | – 1 086 | – 496 |
| Capital expenditures | – 1 177 | – 1 457 | – 2 297 | – 4 599 |
| Net investments in the networks | – 1 002 | – 487 | – 622 | 0 |
| Retirement plans and employee future benefits | 2 559 | 2 458 | 2 274 | 2 410 |
| Other accounts | – 1 620 | 988 | 614 | – 803[5] |
| **CONSOLIDATED NON-BUDGETARY REQUIREMENTS** | **– 3 453** | **– 1 156** | **– 1 117** | **– 3 488** |
| **CONSOLIDATED NET FINANCIAL REQUIREMENTS** | **– 2 760** | **– 707** | **– 530** | **– 7 030** |

P: Preliminary results.

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

[1] For consistency with the financial data presented in the public accounts for 2006-2007 to 2008-2009, the consolidated budgetary balance for those years does not take into account the changes made by Bill 40 (2009, c. 38) to the mechanics of the reserve. For 2009-2010, the data take the impact of Bill 40 into account (see section F).

[2] The health and social services and education networks are consolidated line by line as of 2009-2010. Therefore, consolidated net financial requirements henceforth take into account the budgetary and non-budgetary transactions of the networks.

[3] Includes a deposit of $200 million in the Generations Fund from the reserve.

[4] The budgetary balance within the meaning of the *Balanced Budget Act* after reserve corresponds to the budgetary balance that takes into account amounts allocated to and used from the stabilization reserve.

[5] Including obligations stemming from public-private partnership agreements that have no effect on financial requirements.

TABLE I.2

## Consolidated Revenue Fund
## Revenue by source

(millions of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | 2009-2010[P] |
|---|---|---|---|---|
| **OWN-SOURCE REVENUE**[1] | | | | |
| Income and property taxes | | | | |
| Personal income tax | 18 480 | 18 648 | 17 949 | 17 498 |
| Contributions to the Health Services Fund | 5 053 | 5 404 | 5 631 | 5 647 |
| Corporate taxes | 4 779 | 4 819 | 4 176 | 3 762 |
| Subtotal | 28 312 | 28 871 | 27 756 | 26 907 |
| Consumption taxes | | | | |
| Retail sales | 9 873 | 10 238 | 10 743 | 10 800 |
| Fuel | 1 678 | 1 656 | 1 636 | 1 670 |
| Tobacco | 678 | 647 | 594 | 658 |
| Alcoholic beverages | 422 | 421 | 430 | 435 |
| Subtotal | 12 651 | 12 962 | 13 403 | 13 563 |
| Duties and permits | | | | |
| Motor vehicles | 741 | 757 | 772 | 756 |
| Natural resources | 136 | 86 | 8 | – 15 |
| Other | 179 | 197 | 202 | 209 |
| Subtotal | 1 056 | 1 040 | 982 | 950 |
| Miscellaneous | | | | |
| Sales of goods and services | 396 | 399 | 443 | 410 |
| Interest | 541 | 562 | 635 | 517 |
| Fines, forfeitures and recoveries | 479 | 605 | 661 | 472 |
| Subtotal | 1 416 | 1 566 | 1 739 | 1 399 |
| Revenue from government enterprises | | | | |
| Société des alcools du Québec | 710 | 761 | 808 | 847 |
| Loto-Québec | 1 391 | 1 360 | 1 375 | 1 216 |
| Hydro-Québec | 4 043[2] | 2 926 | 3 098 | 2 800 |
| Other | 72 | – 22 | – 268 | – 261 |
| Subtotal | 6 216 | 5 025 | 5 013 | 4 602 |
| **Total** | **49 651** | **49 464** | **48 893** | **47 421** |
| **FEDERAL TRANSFERS** | | | | |
| Equalization | 5 539 | 7 160 | 8 028 | 8 355 |
| Health transfers | 3 649 | 3 925 | 3 740 | 4 148 |
| Transfers for post-secondary education and social programs | 1 070 | 1 516 | 1 267 | 1 461 |
| Other programs | 757 | 1 028 | 988 | 1 265 |
| **Total** | **11 015** | **13 629** | **14 023** | **15 229** |
| **TOTAL REVENUE** | **60 666** | **63 093** | **62 916** | **62 650** |

P: Preliminary results.

Note: As of 2006-2007, results reflect the government accounting reform in December 2007.

[1] Revenue is presented on an accrual basis as of 2006-2007.

[2] This amount includes profits of $944 million made by Hydro-Québec on the sale of its interests in corporations, including Transelec Chile.

TABLE I.3

## Consolidated Revenue Fund Expenditure by department

(millions of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | 2009-2010P |
|---|---|---|---|---|
| **PROGRAM SPENDING**[1] | | | | |
| Affaires municipales, Régions et Occupation du territoire | 1 859 | 1 821 | 1 812 | 1 814 |
| Agriculture, Pêcheries et Alimentation | 694 | 724 | 706 | 1 097 |
| Assemblée nationale | 107 | 114 | 115 | 116 |
| Conseil du trésor et Administration gouvernementale | 633 | 426 | 430 | 493 |
| Conseil exécutif | 233 | 285 | 296 | 324 |
| Culture, Communications et Condition féminine | 600 | 633 | 654 | 668 |
| Développement durable, Environnement et Parcs | 190 | 202 | 215 | 212 |
| Développement économique, Innovation et Exportation | 519 | 706 | 972 | 1 004 |
| Éducation, Loisir et Sport | 12 638 | 13 399 | 14 321 | 14 489 |
| Emploi et Solidarité sociale | 4 135 | 4 169 | 4 250 | 4 333 |
| Famille et Aînés | 1 718 | 1 836 | 1 960 | 2 067 |
| Finances (excluding debt service) | 82 | 89 | 221 | 413 |
| Immigration et Communautés culturelles | 125 | 132 | 158 | 173 |
| Justice | 725 | 680 | 696 | 687 |
| Personnes désignées par l'Assemblée nationale | 131 | 70 | 134 | 75 |
| Relations internationales | 102 | 115 | 128 | 115 |
| Ressources naturelles et Faune | 464 | 641 | 593 | 597 |
| Revenu | 1 093 | 1 219 | 1 377 | 1 072 |
| Santé et Services sociaux | 22 453 | 24 054 | 25 622 | 26 980 |
| Sécurité publique | 987 | 1 054 | 1 119 | 1 144 |
| Services gouvernementaux | 113 | 126 | 162 | 172 |
| Tourisme | 144 | 145 | 137 | 140 |
| Transports | 1 953 | 2 147 | 2 434 | 2 548 |
| Travail | 36 | 39 | 38 | 37 |
| **Total** | **51 734** | **54 826** | **58 550** | **60 769** |
| **DEBT SERVICE** | | | | |
| Direct debt service | 4 357 | 4 548 | 4 372 | 3 789 |
| Interest ascribed to retirement plans | 2 643 | 2 436 | 2 116 | 2 375 |
| Employee future benefits | 39 | 37 | 16 | – 10 |
| **Total** | **7 039** | **7 021** | **6 504** | **6 154** |
| **TOTAL EXPENDITURE** | **58 773** | **61 847** | **65 054** | **66 923** |

P: Preliminary results.

Note: As of 2006-2007, results reflect the government accounting reform in December 2007.

[1] Certain data were reclassified for consistency with the 2010-2011 Budget structure.

TABLE I.4

## Consolidated non-budgetary transactions

(millions of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | 2009-2010[P, 3] |
|---|---|---|---|---|
| **Investments, loans and advances** | | | | |
| – Consolidated Revenue Fund | | | | |
| • Government enterprises | | | | |
| Shares and investments | | | | |
| – Société générale de financement | — | — | – 250 | – 250 |
| – Other | – 125 | — | | – 10 |
| Change in the equity value of investments | – 1 774 | – 807 | – 580 | – 371 |
| Loans and advances | | | | |
| – IQ FIER inc. | – 42 | – 82 | – 39 | – 35 |
| – Loto-Québec | | | – 270 | 70 |
| – Other | — | — | – 9 | – 10 |
| Total government enterprises | – 1 941 | – 889 | – 1 148 | – 606 |
| • Individuals, corporations and others | | | | |
| Investment with the Caisse de dépôt et placement du Québec | — | – 1 100 | 804 | 295 |
| Other | – 19 | – 22 | – 104 | – 23 |
| • Municipalities and municipal bodies | 1 | 1 | 1 | — |
| **Total Consolidated Revenue Fund** | **– 1 959** | **– 2 010** | **– 447** | **– 334** |
| – Consolidated entities | – 254 | – 648 | – 639 | – 162 |
| **Total investments, loans and advances** | **– 2 213** | **– 2 658** | **– 1 086** | **– 496** |
| **CAPITAL EXPENDITURES** | | | | |
| – Consolidated Revenue Fund | | | | |
| • Net investments | – 188 | – 222 | – 241 | – 498 |
| • Amortizations | 225 | 234 | 254 | 254 |
| – Consolidated entities | – 1 214 | – 1 469 | – 2 310 | – 4 355 |
| **Total capital expenditures** | **– 1 177** | **– 1 457** | **– 2 297** | **– 4 599** |
| **NET INVESTMENTS IN THE NETWORKS[1]** | | | | |
| – Annual deficit | 219 | 442 | – 31 | — |
| – Loans and advances to the networks | – 1 221 | – 929 | – 591 | — |
| **Total net investments in the networks** | **– 1 002** | **– 487** | **– 622** | **—** |
| **RETIREMENT PLANS AND EMPLOYEE FUTURE BENEFITS** | | | | |
| – Cost of vested benefits[2], amortizations and contributions | 1 936 | 2 049 | 2 071 | 1 999 |
| – Interest on the actuarial obligation | 4 157 | 4 398 | 4 383 | 4 548 |
| – Benefits, repayments and administrative expenses | – 3 534 | – 3 989 | – 4 180 | – 4 137 |
| **Total retirement plans and other employee future benefits** | **2 559** | **2 458** | **2 274** | **2 410** |
| **OTHER ACCOUNTS** | | | | |
| – Consolidated Revenue Fund | – 1 101 | 682 | 257 | 108 |
| – Consolidated entities | – 519 | 306 | 357 | – 911[4] |
| **Total other accounts** | **– 1 620** | **988** | **614** | **– 803** |
| **TOTAL CONSOLIDATED NON-BUDGETARY TRANSACTIONS** | **– 3 453** | **– 1 156** | **– 1 117** | **– 3 488** |

P: Preliminary results.

Note: As of 2006-2007, results reflect the government accounting reform in December 2007.

[1] From 2006-2007 to 2008-2009, the net investments of the health and social services and education networks were established using the modified equity method.

[2] Actuarial value of retirement benefits credited during the fiscal year, calculated according to the actuarial projected benefit method prorated on service.

[3] With line-by-line consolidation, the investments, loans and advances, capital expenditures and other accounts of the networks are taken into account as of 2009-2010.

[4] Including obligations stemming from public-private partnership agreements that have no effect on financial requirements.

TABLE I.5

## Consolidated financing transactions[1]

(millions of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | 2009-2010[P] |
|---|---|---|---|---|
| **CHANGE IN CASH POSITION** | | | | |
| Consolidated Revenue Fund | – 3 385 | 3 656 | – 5 748 | 4 306 |
| Consolidated entities | 101 | – 691 | 1 109 | – 170 |
| **Total** | **– 3 284** | **2 965** | **– 4 639** | **4 136** |
| **NET BORROWINGS** | | | | |
| Consolidated Revenue Fund | | | | |
| — New borrowings | 12 531 | 4 187 | 12 677 | 7 094 |
| — Repayment of borrowings | – 4 449 | – 4 135 | – 4 134 | – 6 845 |
| Subtotal | 8 082 | 52 | 8 543 | 249 |
| Consolidated entities[2] | | | | |
| — New borrowings | 4 731 | 5 808 | 4 674 | 9 247 |
| — Repayment of borrowings | – 1 737 | – 2 574 | – 2 411 | – 3 284 |
| Subtotal | 2 994 | 3 234 | 2 263 | 5 963 |
| **Total** | **11 076** | **3 286** | **10 806** | **6 212** |
| **RETIREMENT PLANS SINKING FUND[3], OTHER RETIREMENT PLAN ASSETS AND FUNDS DEDICATED TO EMPLOYEE FUTURE BENEFITS[4]** | **– 4 448** | **– 4 895** | **– 4 918** | **– 2 355** |
| **GENERATIONS FUND** | **– 584** | **– 649** | **– 719** | **– 715** |
| **TOTAL CONSOLIDATED FINANCING TRANSACTIONS** | **2 760** | **707** | **530** | **7 278** |

P: Preliminary results.

Note: As of 2006-2007, results reflect the government accounting reform in December 2007.

1 A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

2 Does not take into account the net borrowings of institutions in the health and social services and education networks contracted in their own name.

3 This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The investment income of this fund is reinvested in it and applied against the interest on the actuarial obligation to obtain the interest charge on the retirement plans.

4 Employee future benefits funds receive amounts used to cover employee future benefits (accumulated sick leave and survivor's pension) payable to government employees.

TABLE I.4

## Consolidated non-budgetary transactions

(millions of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | 2009-2010$^{P,3}$ |
|---|---|---|---|---|
| **Investments, loans and advances** | | | | |
| – Consolidated Revenue Fund | | | | |
| • Government enterprises | | | | |
| Shares and investments | | | | |
| - Société générale de financement | — | — | – 250 | – 250 |
| - Other | – 125 | — | | – 10 |
| Change in the equity value of investments | – 1 774 | – 807 | – 580 | – 371 |
| Loans and advances | | | | |
| - IQ FIER inc. | – 42 | – 82 | – 39 | – 35 |
| - Loto-Québec | | | – 270 | 70 |
| - Other | — | — | – 9 | – 10 |
| Total government enterprises | – 1 941 | – 889 | – 1 148 | – 606 |
| • Individuals, corporations and others | | | | |
| Investment with the Caisse de dépôt et placement du Québec | — | – 1 100 | 804 | 295 |
| Other | – 19 | – 22 | – 104 | – 23 |
| • Municipalities and municipal bodies | 1 | 1 | 1 | — |
| **Total Consolidated Revenue Fund** | **– 1 959** | **– 2 010** | **– 447** | **– 334** |
| – Consolidated entities | – 254 | – 648 | – 639 | – 162 |
| **Total investments, loans and advances** | **– 2 213** | **– 2 658** | **– 1 086** | **– 496** |
| **CAPITAL EXPENDITURES** | | | | |
| – Consolidated Revenue Fund | | | | |
| • Net investments | – 188 | – 222 | – 241 | – 498 |
| • Amortizations | 225 | 234 | 254 | 254 |
| – Consolidated entities | – 1 214 | – 1 469 | – 2 310 | – 4 355 |
| **Total capital expenditures** | **– 1 177** | **– 1 457** | **– 2 297** | **– 4 599** |
| **NET INVESTMENTS IN THE NETWORKS[1]** | | | | |
| – Annual deficit | 219 | 442 | – 31 | — |
| – Loans and advances to the networks | – 1 221 | – 929 | – 591 | — |
| **Total net investments in the networks** | **– 1 002** | **– 487** | **– 622** | **—** |
| **RETIREMENT PLANS AND EMPLOYEE FUTURE BENEFITS** | | | | |
| – Cost of vested benefits[2], amortizations and contributions | 1 936 | 2 049 | 2 071 | 1 999 |
| – Interest on the actuarial obligation | 4 157 | 4 398 | 4 383 | 4 548 |
| – Benefits, repayments and administrative expenses | – 3 534 | – 3 989 | – 4 180 | – 4 137 |
| **Total retirement plans and other employee future benefits** | **2 559** | **2 458** | **2 274** | **2 410** |
| **OTHER ACCOUNTS** | | | | |
| – Consolidated Revenue Fund | – 1 101 | 682 | 257 | 108 |
| – Consolidated entities | – 519 | 306 | 357 | – 911[4] |
| **Total other accounts** | **– 1 620** | **988** | **614** | **– 803** |
| **TOTAL CONSOLIDATED NON-BUDGETARY TRANSACTIONS** | **– 3 453** | **– 1 156** | **– 1 117** | **– 3 488** |

P: Preliminary results.

Note: As of 2006-2007, results reflect the government accounting reform in December 2007.

[1] From 2006-2007 to 2008-2009, the net investments of the health and social services and education networks were established using the modified equity method.

[2] Actuarial value of retirement benefits credited during the fiscal year, calculated according to the actuarial projected benefit method prorated on service.

[3] With line-by-line consolidation, the investments, loans and advances, capital expenditures and other accounts of the networks are taken into account as of 2009-2010.

[4] Including obligations stemming from public-private partnership agreements that have no effect on financial requirements.

TABLE I.5

## Consolidated financing transactions[1]

(millions of dollars)

| | 2006-2007 | 2007-2008 | 2008-2009 | 2009-2010P |
|---|---|---|---|---|
| **CHANGE IN CASH POSITION** | | | | |
| Consolidated Revenue Fund | – 3 385 | 3 656 | – 5 748 | 4 306 |
| Consolidated entities | 101 | – 691 | 1 109 | – 170 |
| **Total** | **– 3 284** | **2 965** | **– 4 639** | **4 136** |
| **NET BORROWINGS** | | | | |
| Consolidated Revenue Fund | | | | |
| – New borrowings | 12 531 | 4 187 | 12 677 | 7 094 |
| – Repayment of borrowings | – 4 449 | – 4 135 | – 4 134 | – 6 845 |
| Subtotal | 8 082 | 52 | 8 543 | 249 |
| Consolidated entities[2] | | | | |
| – New borrowings | 4 731 | 5 808 | 4 674 | 9 247 |
| – Repayment of borrowings | – 1 737 | – 2 574 | – 2 411 | – 3 284 |
| Subtotal | 2 994 | 3 234 | 2 263 | 5 963 |
| **Total** | **11 076** | **3 286** | **10 806** | **6 212** |
| **RETIREMENT PLANS SINKING FUND[3], OTHER RETIREMENT PLAN ASSETS AND FUNDS DEDICATED TO EMPLOYEE FUTURE BENEFITS[4]** | **– 4 448** | **– 4 895** | **– 4 918** | **– 2 355** |
| **GENERATIONS FUND** | **– 584** | **– 649** | **– 719** | **– 715** |
| **TOTAL CONSOLIDATED FINANCING TRANSACTIONS** | **2 760** | **707** | **530** | **7 278** |

P: Preliminary results.

Note: As of 2006-2007, results reflect the government accounting reform in December 2007.

[1] A negative entry indicates a financial requirement and a positive entry, a source of financing. For the change in cash position, a negative entry indicates an increase and a positive entry, a decrease.

[2] Does not take into account the net borrowings of institutions in the health and social services and education networks contracted in their own name.

[3] This sinking fund receives amounts to be used to cover retirement benefits payable by the government under the public and parapublic sector retirement plans. The investment income of this fund is reinvested in it and applied against the interest on the actuarial obligation to obtain the interest charge on the retirement plans.

[4] Employee future benefits funds receive amounts used to cover employee future benefits (accumulated sick leave and survivor's pension) payable to government employees.

# 2. HISTORICAL DATA

TABLE I.6

### Budgetary transactions
### Consolidated Revenue Fund[1]

(millions of dollars)

| | Own-source revenue[2] | Federal transfers[3] | Budgetary revenue | Program spending | Debt service | Budgetary expenditure | Contingency reserve |
|---|---|---|---|---|---|---|---|
| **Before government accounting reforms** | | | | | | | |
| 1971-1972 | 3 110 | 1 293 | 4 403 | – 4 548 | – 210 | – 4 758 | |
| 1972-1973 | 3 672 | 1 261 | 4 933 | – 5 038 | – 242 | – 5 280 | |
| 1973-1974 | 4 279 | 1 376 | 5 655 | – 6 026 | – 288 | – 6 314 | |
| 1974-1975 | 5 271 | 1 871 | 7 142 | – 7 288 | – 296 | – 7 584 | |
| 1975-1976 | 6 006 | 2 222 | 8 228 | – 8 811 | – 368 | – 9 179 | |
| 1976-1977 | 7 020 | 2 520 | 9 540 | – 10 260 | – 456 | – 10 716 | |
| 1977-1978 | 7 867 | 3 088 | 10 955 | – 11 053 | – 606 | – 11 659 | |
| 1978-1979 | 8 382 | 3 268 | 11 650 | – 12 331 | – 817 | – 13 148 | |
| 1979-1980 | 9 295 | 3 754 | 13 049 | – 14 479 | – 970 | – 15 449 | |
| 1980-1981 | 10 578 | 3 894 | 14 472 | – 16 571 | – 1 382 | – 17 953 | |
| 1981-1982 | 13 269 | 4 473 | 17 742 | – 18 413 | – 1 950 | – 20 363 | |
| 1982-1983 | 14 385 | 5 172 | 19 557 | – 19 720 | – 2 300 | – 22 020 | |
| 1983-1984 | 15 414 | 6 227 | 21 641 | – 21 294 | – 2 511 | – 23 805 | |
| 1984-1985 | 15 829 | 6 236 | 22 065 | – 22 926 | – 3 012 | – 25 938 | |
| 1985-1986 | 17 795 | 6 178 | 23 973 | – 24 092 | – 3 354 | – 27 446 | |
| 1986-1987 | 19 525 | 5 828 | 25 353 | – 24 769 | – 3 556 | – 28 325 | |
| 1987-1988 | 21 992 | 6 117 | 28 109 | – 26 830 | – 3 675 | – 30 505 | |
| 1988-1989 | 23 366 | 6 386 | 29 752 | – 27 654 | – 3 802 | – 31 456 | |
| 1989-1990 | 24 359 | 6 674 | 31 033 | – 28 782 | – 4 015 | – 32 797 | |
| 1990-1991 | 26 073 | 6 972 | 33 045 | – 31 583 | – 4 437 | – 36 020 | |
| 1991-1992 | 27 720 | 6 747 | 34 467 | – 34 102 | – 4 666 | – 38 768 | |
| 1992-1993 | 27 561 | 7 764 | 35 325 | – 35 599 | – 4 756 | – 40 355 | |
| 1993-1994 | 28 165 | 7 762 | 35 927 | – 35 534 | – 5 316 | – 40 850 | |
| 1994-1995 | 28 815 | 7 494 | 36 309 | – 36 248 | – 5 882 | – 42 130 | |
| 1995-1996 | 30 000 | 8 126 | 38 126 | – 36 039 | – 6 034 | – 42 073 | |
| 1996-1997 | 30 522 | 6 704 | 37 226 | – 34 583 | – 5 855 | – 40 438 | |
| **After government accounting reform in 1997-1998** | | | | | | | |
| 1997-1998 | 33 604 | 5 656 | 39 260 | – 34 690 | – 6 765 | – 41 455 | |
| 1998-1999 | 35 982 | 7 813 | 43 795 | – 37 052 | – 6 573 | – 43 625 | |
| 1999-2000 | 38 346 | 6 064 | 44 410 | – 37 850 | – 6 752 | – 44 602 | |
| 2000-2001 | 40 335 | 7 895 | 48 230 | – 40 165 | – 6 972 | – 47 137 | |
| 2001-2002 | 38 440[4] | 8 885 | 47 325[4] | – 41 888 | – 6 687 | – 48 575 | |
| 2002-2003 | 40 409[4] | 8 932 | 49 341[4] | – 43 865 | – 6 583 | – 50 448 | |
| 2003-2004 | 41 920[4] | 9 370 | 51 290[4] | – 45 339 | – 6 655 | – 51 994 | |
| 2004-2005 | 44 381 | 9 229 | 53 610 | – 47 656 | – 6 853 | – 54 509 | |
| 2005-2006 | 45 743 | 9 969 | 55 712 | – 49 229 | – 6 875 | – 56 104 | |
| **After government accounting reform in 2006-2007** | | | | | | | |
| 2006-2007 | 49 651 | 11 015 | 60 666 | – 51 734 | – 7 039 | – 58 773 | |
| 2007-2008 | 49 464 | 13 629 | 63 093 | – 54 826 | – 7 021 | – 61 847 | |
| 2008-2009 | 48 893 | 14 023 | 62 916 | – 58 550 | – 6 504 | – 65 054 | |
| 2009-2010[P] | 47 421 | 15 229 | 62 650 | – 60 769 | – 6 154 | – 66 923 | – 300 |
| 2010-2011[P] | 49 164 | 15 325 | 64 489 | – 62 561 | – 6 990 | – 69 551 | – 300 |
| 2011-2012[P] | 51 255 | 14 681 | 65 936 | – 63 907 | – 7 841 | – 71 748 | |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

[1] Data for the Consolidated Revenue Fund exclude the revenue and expenditure of specified purpose accounts, agencies and special funds, the health and social services and education networks, and the Generations Fund, which are presented in tables I.7, I.8, I.9 and I.10 respectively.

[2] Revenue includes that of government enterprises.

[3] Federal transfer revenues are presented on a cash basis until 2004-2005 and on an accrual basis thereafter.

[4] Revenue includes the exceptional losses of the Société générale de financement du Québec, i.e. $91 million in 2001-2002, $339 million in 2002-2003 and $358 million in 2003-2004.

TABLE I.7

## Budgetary transactions
## Specified purpose accounts
(millions of dollars)

| | Own-source revenue | Federal transfers | Total revenue | Expenditure excluding debt service | Debt service | Total expenditure | Net results |
|---|---|---|---|---|---|---|---|
| **Before government accounting reforms** | | | | | | | |
| 1971-1972 | | | | | | | |
| 1972-1973 | | | | | | | |
| 1973-1974 | | | | | | | |
| 1974-1975 | | | | | | | |
| 1975-1976 | | | | | | | |
| 1976-1977 | | | | | | | |
| 1977-1978 | | | | | | | |
| 1978-1979 | | | | | | | |
| 1979-1980 | | | | | | | |
| 1980-1981 | | | | | | | |
| 1981-1982 | | | | | | | |
| 1982-1983 | | | | | | | |
| 1983-1984 | | | | | | | |
| 1984-1985 | | | | | | | |
| 1985-1986 | | | | | | | |
| 1986-1987 | | | | | | | |
| 1987-1988 | | | | | | | |
| 1988-1989 | | | | | | | |
| 1989-1990 | | | | | | | |
| 1990-1991 | | | | | | | |
| 1991-1992 | | | | | | | |
| 1992-1993 | | | | | | | |
| 1993-1994 | | | | | | | |
| 1994-1995 | | | | | | | |
| 1995-1996 | | | | | | | |
| 1996-1997 | | | | | | | |
| **After government accounting reform in 1997-1998** | | | | | | | |
| 1997-1998 | 92 | 487 | 579 | − 579 | 0 | − 579 | 0 |
| 1998-1999 | 80 | 221 | 301 | − 301 | 0 | − 301 | 0 |
| 1999-2000 | 102 | 196 | 298 | − 298 | 0 | − 298 | 0 |
| 2000-2001 | 123 | 174 | 297 | − 297 | 0 | − 297 | 0 |
| 2001-2002 | 155 | 171 | 326 | − 326 | 0 | − 326 | 0 |
| 2002-2003 | 199 | 150 | 349 | − 349 | 0 | − 349 | 0 |
| 2003-2004 | 172 | 186 | 358 | − 358 | 0 | − 358 | 0 |
| 2004-2005 | 170 | 132 | 302 | − 302 | 0 | − 302 | 0 |
| 2005-2006 | 176 | 480 | 656 | − 656 | 0 | − 656 | 0 |
| **After government accounting reform in 2006-2007** | | | | | | | |
| 2006-2007 | 176 | 245 | 421 | − 421 | 0 | − 421 | 0 |
| 2007-2008 | 218 | 255 | 473 | − 473 | 0 | − 473 | 0 |
| 2008-2009 | 214 | 263 | 477 | − 477 | 0 | − 477 | 0 |
| 2009-2010$^{P}$ | 283 | 382 | 665 | − 665 | 0 | − 665 | 0 |
| 2010-2011$^{P}$ | 285 | 1 362 | 1 647 | − 1 647 | 0 | − 1 647 | 0 |
| 2011-2012$^{P}$ | 278 | 564 | 842 | − 842 | 0 | − 842 | 0 |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

TABLE I.8

## Budgetary transactions
## Non-budget-funded bodies and special funds

(millions of dollars)

| | Own-source revenue | Federal transfers | Total revenue | Expenditure excluding debt service | Debt service[1] | Total expenditure | Net results |
|---|---|---|---|---|---|---|---|
| **Before government accounting reforms** | | | | | | | |
| 1971-1972 | | | | | | | |
| 1972-1973 | | | | | | | |
| 1973-1974 | | | | | | | |
| 1974-1975 | | | | | | | |
| 1975-1976 | | | | | | | |
| 1976-1977 | | | | | | | |
| 1977-1978 | | | | | | | |
| 1978-1979 | | | | | | | |
| 1979-1980 | | | | | | | |
| 1980-1981 | | | | | | | |
| 1981-1982 | | | | | | | |
| 1982-1983 | | | | | | | |
| 1983-1984 | | | | | | | |
| 1984-1985 | | | | | | | |
| 1985-1986 | | | | | | | |
| 1986-1987 | | | | | | | |
| 1987-1988 | | | | | | | |
| 1988-1989 | | | | | | | |
| 1989-1990 | | | | | | | |
| 1990-1991 | | | | | | | |
| 1991-1992 | | | | | | | |
| 1992-1993 | | | | | | | |
| 1993-1994 | | | | | | | |
| 1994-1995 | | | | | | | |
| 1995-1996 | | | | | | | |
| 1996-1997 | | | | | | | |
| **After government accounting reform in 1997-1998** | | | | | | | |
| 1997-1998 | 1 391 | 318 | 1 709 | – 1 094 | – 577 | – 1 671 | 38 |
| 1998-1999 | 1 680 | 258 | 1 938 | – 1 368 | – 614 | – 1 982 | – 44 |
| 1999-2000 | 1 850 | 270 | 2 120 | – 1 300 | – 621 | – 1 921 | 199 |
| 2000-2001 | 1 851 | 250 | 2 101 | – 1 183 | – 634 | – 1 817 | 284 |
| 2001-2002 | 1 940 | 420 | 2 360 | – 1 464 | – 574 | – 2 038 | 322 |
| 2002-2003 | 2 160 | 375 | 2 535 | – 1 607 | – 549 | – 2 156 | 379 |
| 2003-2004 | 2 318 | 564 | 2 882 | – 1 950 | – 586 | – 2 536 | 346 |
| 2004-2005 | 2 395 | 578 | 2 973 | – 2 142 | – 596 | – 2 738 | 235 |
| 2005-2006 | 2 976 | 673 | 3 649 | – 2 536 | – 684 | – 3 220 | 429 |
| **After government accounting reform in 2006-2007** | | | | | | | |
| 2006-2007 | 3 480 | 710 | 4 190 | – 2 271 | – 1 684 | – 3 955 | 235 |
| 2007-2008 | 3 880 | 849 | 4 729 | – 2 601 | – 1 731 | – 4 332 | 397 |
| 2008-2009 | 3 766 | 795 | 4 561 | – 2 672 | – 1 627 | – 4 299 | 262 |
| 2009-2010P | 3 844 | 1 670 | 5 514 | – 4 241 | – 988 | – 5 229 | 285 |
| 2010-2011P | 4 222 | 1 424 | 5 646 | – 4 489 | – 1 153 | – 5 642 | 4 |
| 2011-2012P | 4 738 | 1 060 | 5 798 | – 4 358 | – 1 381 | – 5 739 | 59 |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

[1] As of 2009-2010, debt service includes a consolidation adjustment to eliminate related transactions with the health and social services and education networks.

TABLE I.9

## Budgetary transactions
## Health and social services and education networks

(millions of dollars)

| | Own-source revenue | Federal transfers | Total revenue | Expenditure excluding debt service | Debt service | Total expenditure | Net results |
|---|---|---|---|---|---|---|---|
| **Before government accounting reforms** | | | | | | | |
| 1971-1972 | | | | | | | |
| 1972-1973 | | | | | | | |
| 1973-1974 | | | | | | | |
| 1974-1975 | | | | | | | |
| 1975-1976 | | | | | | | |
| 1976-1977 | | | | | | | |
| 1977-1978 | | | | | | | |
| 1978-1979 | | | | | | | |
| 1979-1980 | | | | | | | |
| 1980-1981 | | | | | | | |
| 1981-1982 | | | | | | | |
| 1982-1983 | | | | | | | |
| 1983-1984 | | | | | | | |
| 1984-1985 | | | | | | | |
| 1985-1986 | | | | | | | |
| 1986-1987 | | | | | | | |
| 1987-1988 | | | | | | | |
| 1988-1989 | | | | | | | |
| 1989-1990 | | | | | | | |
| 1990-1991 | | | | | | | |
| 1991-1992 | | | | | | | |
| 1992-1993 | | | | | | | |
| 1993-1994 | | | | | | | |
| 1994-1995 | | | | | | | |
| 1995-1996 | | | | | | | |
| 1996-1997 | | | | | | | |
| **After government accounting reform in 1997-1998** | | | | | | | |
| 1997-1998 | | | | | | | |
| 1998-1999 | | | | | | | |
| 1999-2000 | | | | | | | |
| 2000-2001 | | | | | | | |
| 2001-2002 | | | | | | | |
| 2002-2003 | | | | | | | |
| 2003-2004 | | | | | | | |
| 2004-2005 | | | | | | | |
| 2005-2006 | | | | | | | |
| **After government accounting reform in 2006-2007** | | | | | | | |
| 2006-2007 | | | | | | | – 219[1] |
| 2007-2008 | | | | | | | – 442[1] |
| 2008-2009 | | | | | | | 31[1] |
| **Line-by-line consolidation of health and social services and education networks** | | | | | | | |
| 2009-2010[P] | 5 055 | 260 | 5 315 | – 4 931 | – 786 | – 5 717 | – 402 |
| 2010-2011[P] | 5 205 | 282 | 5 487 | – 4 828 | – 858 | – 5 686 | – 199 |
| 2011-2012[P] | 5 424 | 286 | 5 710 | – 4 972 | – 921 | – 5 893 | – 183 |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

[1] From 2006-2007 to 2008-2009, only the net results of the health and social services and education networks were presented, as they were established using the modified equity method.

TABLE I.10

## Generations Fund

(millions of dollars)

| | Dedicated revenues | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Water-power royalties | | | | | | | |
| | Hydro-Québec | Private producers | Unclaimed property | Other | Investment income | Total | Deposit from the reserve | Deposit in the Generations Fund |
| **Before government accounting reforms** | | | | | | | | |
| 1971-1972 | | | | | | | | |
| 1972-1973 | | | | | | | | |
| 1973-1974 | | | | | | | | |
| 1974-1975 | | | | | | | | |
| 1975-1976 | | | | | | | | |
| 1976-1977 | | | | | | | | |
| 1977-1978 | | | | | | | | |
| 1978-1979 | | | | | | | | |
| 1979-1980 | | | | | | | | |
| 1980-1981 | | | | | | | | |
| 1981-1982 | | | | | | | | |
| 1982-1983 | | | | | | | | |
| 1983-1984 | | | | | | | | |
| 1984-1985 | | | | | | | | |
| 1985-1986 | | | | | | | | |
| 1986-1987 | | | | | | | | |
| 1987-1988 | | | | | | | | |
| 1988-1989 | | | | | | | | |
| 1989-1990 | | | | | | | | |
| 1990-1991 | | | | | | | | |
| 1991-1992 | | | | | | | | |
| 1992-1993 | | | | | | | | |
| 1993-1994 | | | | | | | | |
| 1994-1995 | | | | | | | | |
| 1995-1996 | | | | | | | | |
| 1996-1997 | | | | | | | | |
| **After government accounting reform in 1997-1998** | | | | | | | | |
| 1997-1998 | | | | | | | | |
| 1998-1999 | | | | | | | | |
| 1999-2000 | | | | | | | | |
| 2000-2001 | | | | | | | | |
| 2001-2002 | | | | | | | | |
| 2002-2003 | | | | | | | | |
| 2003-2004 | | | | | | | | |
| 2004-2005 | | | | | | | | |
| 2005-2006 | | | | | | | | |
| **After government accounting reform in 2006-2007** | | | | | | | | |
| 2006-2007 | 65 | 11 | 5 | 500 | 3 | 584 | | 584 |
| 2007-2008 | 367 | 46 | 0 | | 36 | 449 | 200 | 649 |
| 2008-2009 | 548 | 88 | 1 | | – 50 | 587 | 132[1] | 719 |
| 2009-2010$^{P}$ | 571 | 87 | 2 | | 55 | 715 | | 715 |
| 2010-2011$^{P}$ | 600 | 87 | 2 | | 203 | 892 | | 892 |
| 2011-2012$^{P}$ | 620 | 86 | 2 | | 264 | 972 | | 972 |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] Deposit of $132 million from the stabilization reserve for 2008-2009 derived from the sale of assets by the Société immobilière du Québec.

TABLE I.11

## Summary of consolidated budgetary transactions[1]

(millions of dollars)

| | Own-source revenue | Federal transfers[2] | Consolidated revenue | Expenditure excluding debt service | Debt service | Consolidated expenditure | Impact of the plan to restore fiscal balance | Deposit in the Generations Fund | Amounts used from the reserve | Amounts allocated to the reserve | Budgetary balance within the meaning of the Act after reserve[5] | Deposit of dedicated revenues in the Generations Fund | Consolidated budgetary balance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Before government accounting reforms** | | | | | | | | | | | | | |
| 1971-1972 | 3 110 | 1 293 | 4 403 | - 4 548 | - 210 | - 4 758 | | | | | - 355 | | - 355 |
| 1972-1973 | 3 672 | 1 261 | 4 933 | - 5 038 | - 242 | - 5 280 | | | | | - 347 | | - 347 |
| 1973-1974 | 4 279 | 1 376 | 5 655 | - 6 026 | - 288 | - 6 314 | | | | | - 659 | | - 659 |
| 1974-1975 | 5 271 | 1 871 | 7 142 | - 7 288 | - 296 | - 7 584 | | | | | - 442 | | - 442 |
| 1975-1976 | 6 006 | 2 222 | 8 228 | - 8 811 | - 368 | - 9 179 | | | | | - 951 | | - 951 |
| 1976-1977 | 7 020 | 2 520 | 9 540 | - 10 260 | - 456 | - 10 716 | | | | | - 1 176 | | - 1 176 |
| 1977-1978 | 7 867 | 3 088 | 10 955 | - 11 053 | - 606 | - 11 659 | | | | | - 704 | | - 704 |
| 1978-1979 | 8 382 | 3 268 | 11 650 | - 12 331 | - 817 | - 13 148 | | | | | - 1 498 | | - 1 498 |
| 1979-1980 | 9 295 | 3 754 | 13 049 | - 14 479 | - 970 | - 15 449 | | | | | - 2 400 | | - 2 400 |
| 1980-1981 | 10 578 | 3 894 | 14 472 | - 16 571 | - 1 382 | - 17 953 | | | | | - 3 481 | | - 3 481 |
| 1981-1982 | 13 269 | 4 473 | 17 742 | - 18 413 | - 1 950 | - 20 363 | | | | | - 2 621 | | - 2 621 |
| 1982-1983 | 14 385 | 5 172 | 19 557 | - 19 720 | - 2 300 | - 22 020 | | | | | - 2 463 | | - 2 463 |
| 1983-1984 | 15 414 | 6 227 | 21 641 | - 21 294 | - 2 511 | - 23 805 | | | | | - 2 164 | | - 2 164 |
| 1984-1985 | 15 829 | 6 236 | 22 065 | - 22 926 | - 3 012 | - 25 938 | | | | | - 3 873 | | - 3 873 |
| 1985-1986 | 17 795 | 6 178 | 23 973 | - 24 092 | - 3 354 | - 27 446 | | | | | - 3 473 | | - 3 473 |
| 1986-1987 | 19 525 | 5 828 | 25 353 | - 24 769 | - 3 556 | - 28 325 | | | | | - 2 972 | | - 2 972 |
| 1987-1988 | 21 992 | 6 117 | 28 109 | - 26 830 | - 3 675 | - 30 505 | | | | | - 2 396 | | - 2 396 |
| 1988-1989 | 23 366 | 6 386 | 29 752 | - 27 654 | - 3 802 | - 31 456 | | | | | - 1 704 | | - 1 704 |
| 1989-1990 | 24 359 | 6 674 | 31 033 | - 28 782 | - 4 015 | - 32 797 | | | | | - 1 764 | | - 1 764 |
| 1990-1991 | 26 073 | 6 972 | 33 045 | - 31 583 | - 4 437 | - 36 020 | | | | | - 2 975 | | - 2 975 |
| 1991-1992 | 27 720 | 6 747 | 34 467 | - 34 102 | - 4 666 | - 38 768 | | | | | - 4 301 | | - 4 301 |
| 1992-1993 | 27 561 | 7 764 | 35 325 | - 35 599 | - 4 756 | - 40 355 | | | | | - 5 030 | | - 5 030 |
| 1993-1994 | 28 165 | 7 762 | 35 927 | - 35 534 | - 5 316 | - 40 850 | | | | | - 4 923 | | - 4 923 |
| 1994-1995 | 28 815 | 7 494 | 36 309 | - 36 248 | - 5 882 | - 42 130 | | | | | - 5 821 | | - 5 821 |
| 1995-1996 | 30 000 | 8 126 | 38 126 | - 36 039 | - 6 034 | - 42 073 | | | | | - 3 947 | | - 3 947 |
| 1996-1997 | 30 522 | 6 704 | 37 226 | - 34 583 | - 5 855 | - 40 438 | | | | | - 3 212 | | - 3 212 |
| **After government accounting reform in 1997-1998** | | | | | | | | | | | | | |
| 1997-1998 | 35 087 | 6 461 | 41 548 | - 36 363 | - 7 342 | - 43 705 | | | | | - 2 157 | | - 2 157 |
| 1998-1999 | 37 742 | 8 292 | 46 034 | - 38 721 | - 7 187 | - 45 908 | | | | | 126 | | 126 |
| 1999-2000 | 40 298 | 6 530 | 46 828 | - 39 448 | - 7 373 | - 46 821 | | | | | 7 | | 7 |
| 2000-2001 | 42 309 | 8 319 | 50 628 | - 41 645 | - 7 606 | - 49 251 | | | - 950 | | 427 | | 427 |
| 2001-2002 | 40 535[3] | 9 476 | 50 011 | - 43 678 | - 7 261 | - 50 939 | | | 950 | | 22 | | 22 |
| 2002-2003 | 42 768[3] | 9 457 | 52 225 | - 45 821 | - 7 132 | - 52 953 | | | | | - 728 | | - 728 |
| 2003-2004 | 44 410[3] | 10 120 | 54 530 | - 47 647 | - 7 241 | - 54 888 | | | | | - 358 | | - 358 |
| 2004-2005 | 46 946 | 9 939 | 56 885 | - 50 100 | - 7 449 | - 57 549 | | | | | - 664 | | - 664 |
| 2005-2006 | 48 895 | 11 122 | 60 017 | - 52 421 | - 7 559 | - 59 980 | | | | | 37 | | 37 |
| **After government accounting reform in 2006-2007** | | | | | | | | | | | | | |
| 2006-2007[4] | 53 391 | 11 970 | 65 361 | - 54 645 | - 8 723 | - 63 368 | | - 584 | | - 1 300 | 109 | 584 | 693 |
| 2007-2008[4] | 54 011 | 14 733 | 68 744 | - 58 342 | - 8 752 | - 67 094 | | - 449 | | - 1 201[6] | 0 | 449 | 449 |
| 2008-2009[4] | 53 460 | 15 081 | 68 541 | - 61 668 | - 8 131 | - 69 799 | | - 587 | 1 845 | | 0 | 587 | 587 |
| 2009-2010[P,4] | 56 536 | 17 541 | 74 077 | - 70 124 | - 7 928 | - 78 052 | | - 715 | 433 | | - 4 257 | 715 | - 3 542 |
| 2010-2011[P,4] | 58 955 | 18 393 | 77 348 | - 73 012 | - 9 001 | - 82 013 | 1 051 | - 892 | | | - 4 506 | 892 | - 3 614 |
| 2011-2012[P,4] | 61 826 | 16 591 | 78 417 | - 73 238 | - 10 143 | - 83 381 | 3 036 | - 972 | | | - 2 900 | 972 | - 1 928 |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] For consistency with the financial data presented in the public accounts for years prior to 2009-2010, the consolidated budgetary balance for those years does not take into account the changes made by Bill 40 (2009, c. 38) to the mechanics of the reserve. As of 2009-2010, the data take the impact of Bill 40 into account (see section F).

[2] Presented on a cash basis until 2004-2005 and on an accrual basis thereafter.

[3] Own-source revenue includes the exceptional losses of the Société générale de financement du Québec, i.e. $91 million in 2001-2002, $339 million in 2002-2003 and $358 million in 2003-2004.

[4] From 2006-2007 to 2008-2009, the net results of the health and social services and education networks were established using the modified equity method. As of 2009-2010, the revenue and expenditure of the networks are consolidated line by line, like those of non-budget-funded bodies and special funds.

[5] The budgetary balance within the meaning of the *Balanced Budget Act* after reserve corresponds to the budgetary balance that takes into account amounts allocated to and used from the stabilization reserve.

[6] Includes a deposit of $200 million in the Generations Fund from the reserve.

TABLE I.12

## Summary of consolidated non-budgetary transactions

(millions of dollars)

| | | Consolidated non-budgetary transactions | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Consolidated budgetary balance | Investments, loans and advances | Capital expenditures | Net investments in the networks[1] | Retirement plans | Other accounts | Excess amount (shortfall) | Net financial surplus (requirements) |
| **Before government accounting reforms** | | | | | | | | |
| 1971-1972 | - 355 | - 63 | | | 1 | 113 | 51 | - 304 |
| 1972-1973 | - 347 | - 53 | | | - 1 | 18 | - 36 | - 383 |
| 1973-1974 | - 659 | - 122 | | | 25 | 459 | 362 | - 297 |
| 1974-1975 | - 442 | - 146 | | | 104 | 319 | 277 | - 165 |
| 1975-1976 | - 951 | - 186 | | | 109 | 622 | 545 | - 406 |
| 1976-1977 | - 1 176 | - 183 | | | 187 | - 161 | - 157 | - 1 333 |
| 1977-1978 | - 704 | - 229 | | | 265 | - 488 | - 452 | - 1 156 |
| 1978-1979 | - 1 498 | - 189 | | | 316 | 119 | 246 | - 1 252 |
| 1979-1980 | - 2 400 | - 188 | | | 683 | 551 | 1 046 | - 1 354 |
| 1980-1981 | - 3 481 | - 56 | | | 822 | 416 | 1 182 | - 2 299 |
| 1981-1982 | - 2 621 | - 586 | | | 1 007 | 71 | 492 | - 2 129 |
| 1982-1983 | - 2 463 | - 761 | | | 1 051 | - 40 | 250 | - 2 213 |
| 1983-1984 | - 2 164 | - 672 | | | 1 057 | - 436 | - 51 | - 2 215 |
| 1984-1985 | - 3 873 | - 167 | | | 1 183 | 887 | 1 903 | - 1 970 |
| 1985-1986 | - 3 473 | 40 | | | 1 269 | 493 | 1 802 | - 1 671 |
| 1986-1987 | - 2 972 | - 380 | | | 1 355 | 260 | 1 235 | - 1 737 |
| 1987-1988 | - 2 396 | - 680 | | | 2 203 | - 493 | 1 030 | - 1 366 |
| 1988-1989 | - 1 704 | - 670 | | | 1 634 | - 265 | 699 | - 1 005 |
| 1989-1990 | - 1 764 | - 516 | | | 1 164 | 300 | 948 | - 816 |
| 1990-1991 | - 2 975 | - 458 | | | 1 874 | 77 | 1 493 | - 1 482 |
| 1991-1992 | - 4 301 | - 411 | | | 1 916 | 141 | 1 646 | - 2 655 |
| 1992-1993 | - 5 030 | - 490 | | | 1 525 | 82 | 1 117 | - 3 913 |
| 1993-1994 | - 4 923 | - 623 | | | 1 668 | 52 | 1 097 | - 3 826 |
| 1994-1995 | - 5 821 | - 1 142 | | | 1 509 | 578 | 945 | - 4 876 |
| 1995-1996 | - 3 947 | - 287 | | | 1 701 | - 415 | 999 | - 2 948 |
| 1996-1997 | - 3 212 | - 792 | | | 1 928 | - 60 | 1 076 | - 2 136 |
| **After government accounting reform in 1997-1998** | | | | | | | | |
| 1997-1998 | - 2 157 | - 1 315 | - 209 | | 1 888 | 109 | 473 | - 1 684 |
| 1998-1999 | 126 | - 1 402 | - 217 | | 1 020 | 996 | 397 | 523 |
| 1999-2000 | 7 | - 2 006 | - 359 | | 1 740 | 1 328 | 703 | 710 |
| 2000-2001 | 427 | - 1 632 | - 473 | | 1 793 | - 631 | - 943 | - 516 |
| 2001-2002 | 22 | - 1 142 | - 995 | | 2 089 | - 589 | - 637 | - 615 |
| 2002-2003 | - 728 | - 1 651 | - 1 482 | | 2 007 | 217 | - 909 | - 1 637 |
| 2003-2004 | - 358 | - 1 125 | - 1 019 | | 2 219 | - 1 183 | - 1 108 | - 1 466 |
| 2004-2005 | - 664 | - 979 | - 1 083 | | 2 134 | 174 | 246 | - 418 |
| 2005-2006 | 37 | - 1 182 | - 1 166 | | 2 310 | - 208 | - 246 | - 209 |
| **After government accounting reform in 2006-2007** | | | | | | | | |
| 2006-2007 | 693 | - 2 213 | - 1 177 | - 1 002 | 2 559 | - 1 620 | - 3 453 | - 2 760 |
| 2007-2008 | 449 | - 2 658 | - 1 457 | - 487 | 2 458 | 988 | - 1 156 | - 707 |
| 2008-2009 | 587 | - 1 086 | - 2 297 | - 622 | 2 274 | 614 | - 1 117 | - 530 |
| 2009-2010$^{P,2}$ | - 3 542 | - 496 | - 4 599 | | 2 410 | - 803 | - 3 488 | - 7 030 |
| 2010-2011$^{P,2}$ | - 3 614 | - 1 281 | - 4 653 | | 2 667 | - 98 | - 3 355 | - 6 979 |
| 2011-2012$^{P,2}$ | - 1 928 | - 1 205 | - 4 917 | | 2 323 | - 1 169 | - 4 968 | - 6 896 |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

Note: A negative entry indicates a financial requirement and a positive entry, a source of financing.

[1] From 2006-2007 to 2008-2009, the net investments of the health and social services and education networks were established using the modified equity method.

[2] With line-by-line consolidation, the investments, loans and advances, capital expenditures and other accounts of the networks are taken into account as of 2009-2010.

TABLE I.13

## Debt of the Québec government

| | Consolidated direct debt[1,2] | | Retirement plans | | | | Employee future benefits | | | | Debt[1] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retirement plans liability[3] | Less: Retirement Plans Sinking Fund | Net retirement plans liability | | Employee future benefits liability | Less: funds dedicated to employee future benefits | Net employee future benefits liability | Less: Generations Fund | | |
| | $ million | As a % of GDP | $ million | $ million | $ million | As a % of GDP | $ million | $ million | $ million | | $ million | As a % of GDP |
| **Before government accounting reforms** | | | | | | | | | | | **Total debt – Data not restated to include the impact of the 1997-1998 and 2006-2007 accounting reforms** | |
| 1971-1972 | 2 920 | 11.9 | | | | | | | | | 2 920 | 11.9 |
| 1972-1973 | 3 309 | 12.0 | | | | | | | | | 3 309 | 12.0 |
| 1973-1974 | 3 679 | 11.8 | | | | | | | | | 3 679 | 11.8 |
| 1974-1975 | 4 030 | 11.0 | | | 67 | 0.2 | | | | | 4 097 | 11.2 |
| 1975-1976 | 4 955 | 12.0 | | | 179 | 0.4 | | | | | 5 134 | 12.4 |
| 1976-1977 | 6 035 | 12.5 | | | 354 | 0.7 | | | | | 6 389 | 13.2 |
| 1977-1978 | 7 111 | 13.4 | | | 620 | 1.2 | | | | | 7 731 | 14.6 |
| 1978-1979 | 8 325 | 14.1 | | | 915 | 1.6 | | | | | 9 240 | 15.7 |
| 1979-1980 | 9 472 | 14.4 | | | 1 598 | 2.4 | | | | | 11 070 | 16.8 |
| 1980-1981 | 12 247 | 16.8 | | | 2 420 | 3.3 | | | | | 14 667 | 20.1 |
| 1981-1982 | 14 184 | 17.6 | | | 3 428 | 4.3 | | | | | 17 612 | 21.9 |
| 1982-1983 | 16 485 | 19.3 | | | 4 489 | 5.3 | | | | | 20 974 | 24.6 |
| 1983-1984 | 18 880 | 20.6 | | | 5 545 | 6.0 | | | | | 24 425 | 26.6 |
| 1984-1985 | 21 216 | 21.2 | | | 6 729 | 6.7 | | | | | 27 945 | 27.9 |
| 1985-1986 | 23 633 | 22.0 | | | 7 998 | 7.4 | | | | | 31 631 | 29.4 |
| 1986-1987 | 25 606 | 21.9 | | | 9 353 | 8.0 | | | | | 34 959 | 29.9 |
| 1987-1988 | 26 819 | 20.9 | | | 10 883 | 8.5 | | | | | 37 702 | 29.4 |
| 1988-1989 | 27 091 | 19.2 | | | 12 597 | 8.9 | | | | | 39 688 | 28.1 |
| 1989-1990 | 27 699 | 18.7 | | | 14 320 | 9.6 | | | | | 42 019 | 28.3 |
| 1990-1991 | 29 637 | 19.3 | | | 16 227 | 10.6 | | | | | 45 864 | 29.9 |
| 1991-1992 | 33 106 | 21.3 | | | 18 143 | 11.7 | | | | | 51 249 | 33.0 |
| 1992-1993 | 39 231 | 24.8 | | | 19 668 | 12.4 | | | | | 58 899 | 37.2 |
| 1993-1994 | 45 160 | 27.8 | 21 337 | – 854 | 20 483 | 12.6 | | | | | 65 643 | 40.4 |
| 1994-1995 | 52 468 | 30.8 | 22 846 | – 849 | 21 997 | 12.9 | | | | | 74 465 | 43.7 |
| 1995-1996 | 52 886 | 29.8 | 24 547 | – 923 | 23 624 | 13.3 | | | | | 76 510 | 43.1 |
| 1996-1997 | 52 625 | 29.2 | 26 475 | – 1 014 | 25 461 | 14.1 | | | | | 78 086 | 43.3 |
| **Data restated to include the impact of the accounting reform in 2006-2007** | | | | | | | | | | | | **Gross debt** |
| 1997-1998 | 69 995 | 37.1 | 41 617 | – 1 179 | 40 438 | 21.5 | 759 | – 292 | 467 | | 110 900 | 58.9 |
| 1998-1999 | 73 803 | 37.6 | 42 637 | – 2 209 | 40 428 | 20.6 | 805 | – 317 | 488 | | 114 719 | 58.5 |
| 1999-2000 | 76 166 | 36.1 | 44 377 | – 5 040 | 39 337 | 18.7 | 867 | – 361 | 506 | | 116 009 | 55.0 |
| 2000-2001 | 80 108 | 35.6 | 46 170 | – 7 059 | 39 111 | 17.4 | 894 | – 382 | 512 | | 119 731 | 53.2 |
| 2001-2002 | 84 451 | 36.5 | 48 259 | – 10 199 | 38 060 | 16.4 | 938 | – 384 | 554 | | 123 065 | 53.1 |
| 2002-2003 | 89 083 | 36.9 | 50 266 | – 11 840 | 38 426 | 15.9 | 1 083 | – 358 | 725 | | 128 234 | 53.1 |
| 2003-2004 | 93 325 | 37.2 | 52 485 | – 14 204 | 38 281 | 15.3 | 1 034 | – 338 | 696 | | 132 302 | 52.8 |
| 2004-2005 | 98 842 | 37.6 | 54 619 | – 18 333 | 36 286 | 13.8 | 1 086 | – 335 | 751 | | 135 879 | 51.7 |
| 2005-2006 | 103 339 | 38.0 | 57 193 | – 22 563 | 34 630 | 12.7 | 1 095 | – 357 | 738 | | 138 707 | 51.0 |
| 2006-2007 | 110 412 | 39.1 | 59 721 | – 26 877 | 32 844 | 11.6 | 1 176 | – 424 | 752 | – 584 | 143 424 | 50.8 |
| 2007-2008 | 118 032 | 39.7 | 62 368 | – 31 749 | 30 619 | 10.3 | 1 166 | – 433 | 733 | – 1 233 | 148 151 | 49.8 |
| 2008-2009 | 124 629 | 41.2 | 64 674 | – 36 025 | 28 649 | 9.5 | 1 114 | – 1 055 | 59 | – 1 952 | 151 385 | 50.1 |
| 2009-2010P | 134 021 | 44.5 | 66 961 | – 38 198 | 28 763 | 9.6 | 1 108 | – 1 108 | — | – 2 667 | 160 117 | 53.2 |
| 2010-2011P | 144 861 | 46.3 | 69 574 | – 40 277 | 29 297 | 9.4 | 1 162 | – 1 162 | — | – 3 559 | 170 599 | 54.5 |
| 2011-2012P | 154 945 | 47.4 | 71 838 | – 42 168 | 29 670 | 9.1 | 1 221 | – 1 221 | — | – 4 531 | 180 084 | 55.1 |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] Excludes deferred foreign exchange gains or losses and pre-financing.

[2] Does not take into account the debt of institutions in the health and social services and education networks contracted in their own name.

[3] Retirement plans liability less the assets of the retirement plans other than the Retirement Plans Sinking Fund.

TABLE I.14

## Net debt of the Québec government

| | $ million | As a % of GDP |
|---|---|---|
| **Before government accounting reforms** | | **Data for 1971-1972 to 1996-1997 are not comparable with those for 1997-1998 to 2011-2012** |
| 1971-1972 | 2 645 | 10.8 |
| 1972-1973 | 2 992 | 10.9 |
| 1973-1974 | 3 651 | 11.7 |
| 1974-1975 | 4 093 | 11.2 |
| 1975-1976 | 5 044 | 12.2 |
| 1976-1977 | 6 353 | 13.2 |
| 1977-1978 | 7 058 | 13.3 |
| 1978-1979 | 8 460 | 14.4 |
| 1979-1980 | 10 836 | 16.5 |
| 1980-1981 | 14 326 | 19.6 |
| 1981-1982 | 12 569 | 15.6 |
| 1982-1983 | 15 038 | 17.6 |
| 1983-1984 | 17 298 | 18.8 |
| 1984-1985 | 21 455 | 21.4 |
| 1985-1986 | 25 735 | 24.0 |
| 1986-1987 | 28 716 | 24.5 |
| 1987-1988 | 31 115 | 24.2 |
| 1988-1989 | 32 819 | 23.3 |
| 1989-1990 | 34 583 | 23.3 |
| 1990-1991 | 37 558 | 24.5 |
| 1991-1992 | 41 885 | 27.0 |
| 1992-1993 | 46 914 | 29.6 |
| 1993-1994 | 51 837 | 32.0 |
| 1994-1995 | 57 677 | 33.8 |
| 1995-1996 | 61 624 | 34.8 |
| 1996-1997 | 64 833 | 35.9 |
| **After government accounting reform in 1997-1998** | | **Data for 1997-1998 to 2005-2006 are not comparable with those for 1971-1972 to 1996-1997 and 2006-2007 to 2011-2012** |
| 1997-1998 | 88 597 | 47.0 |
| 1998-1999 | 88 810 | 45.3 |
| 1999-2000 | 89 162 | 42.3 |
| 2000-2001 | 88 208 | 39.2 |
| 2001-2002 | 92 772 | 40.1 |
| 2002-2003 | 95 601 | 39.6 |
| 2003-2004 | 97 025 | 38.7 |
| 2004-2005 | 99 042 | 37.7 |
| 2005-2006 | 104 683 | 38.6 |
| **After government accounting reform in 2006-2007** | | **Data for 2006-2007 to2011-2012 are not comparable with those for previous years** |
| 2006-2007 | 124 297 | 44.0 |
| 2007-2008 | 124 681 | 41.9 |
| 2008-2009 | 128 793 | 42.6 |
| 2009-2010P | 142 847 | 47.5 |
| 2010-2011P | 152 456 | 48.7 |
| 2011-2012P | 159 549 | 48.8 |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

TABLE I.15

## Debt representing accumulated deficits

| | Debt representing accumulated deficits for the purposes of the public accounts[1,2] | | Plus: balance of the stabilization reserve | Debt representing accumulated deficits after taking into account the stabilization | |
|---|---|---|---|---|---|
| | $ million | As a % of GDP | $ million | $ million | As a % of GDP |
| **Before government accounting reforms** | | | | **Data for 1971-1972 to 1996-1997 are not comparable with those for 1997-1998 to 2011-2012** | |
| 1971-1972 | 2 645 | 10.8 | | 2 645 | 10.8 |
| 1972-1973 | 2 992 | 10.9 | | 2 992 | 10.9 |
| 1973-1974 | 3 651 | 11.7 | | 3 651 | 11.7 |
| 1974-1975 | 4 093 | 11.2 | | 4 093 | 11.2 |
| 1975-1976 | 5 044 | 12.2 | | 5 044 | 12.2 |
| 1976-1977 | 6 353 | 13.2 | | 6 353 | 13.2 |
| 1977-1978 | 7 058 | 13.3 | | 7 058 | 13.3 |
| 1978-1979 | 8 460 | 14.4 | | 8 460 | 14.4 |
| 1979-1980 | 10 836 | 16.5 | | 10 836 | 16.5 |
| 1980-1981 | 14 326 | 19.6 | | 14 326 | 19.6 |
| 1981-1982 | 12 569 | 15.6 | | 12 569 | 15.6 |
| 1982-1983 | 15 038 | 17.6 | | 15 038 | 17.6 |
| 1983-1984 | 17 298 | 18.8 | | 17 298 | 18.8 |
| 1984-1985 | 21 455 | 21.4 | | 21 455 | 21.4 |
| 1985-1986 | 25 735 | 24.0 | | 25 735 | 24.0 |
| 1986-1987 | 28 716 | 24.5 | | 28 716 | 24.5 |
| 1987-1988 | 31 115 | 24.2 | | 31 115 | 24.2 |
| 1988-1989 | 32 819 | 23.3 | | 32 819 | 23.3 |
| 1989-1990 | 34 583 | 23.3 | | 34 583 | 23.3 |
| 1990-1991 | 37 558 | 24.5 | | 37 558 | 24.5 |
| 1991-1992 | 41 885 | 27.0 | | 41 885 | 27.0 |
| 1992-1993 | 46 914 | 29.6 | | 46 914 | 29.6 |
| 1993-1994 | 51 837 | 32.0 | | 51 837 | 32.0 |
| 1994-1995 | 57 677 | 33.8 | | 57 677 | 33.8 |
| 1995-1996 | 61 624 | 34.8 | | 61 624 | 34.8 |
| 1996-1997 | 64 833 | 35.9 | | 64 833 | 35.9 |
| **After government accounting reform in 1997-1998** | | | | **Data for 1997-1998 to 2005-2006 are not comparable with those for 1971-1972 to 1996-1997 and 2006-2007 to 2011-2012** | |
| 1997-1998 | 82 581 | 43.8 | | 82 581 | 43.8 |
| 1998-1999 | 82 577 | 42.1 | | 82 577 | 42.1 |
| 1999-2000 | 82 469 | 39.1 | | 82 469 | 39.1 |
| 2000-2001 | 81 042 | 36.0 | 950 | 81 992 | 36.5 |
| 2001-2002 | 84 538 | 36.5 | | 84 538 | 36.5 |
| 2002-2003 | 85 885 | 35.6 | | 85 885 | 35.6 |
| 2003-2004 | 86 290 | 34.4 | | 86 290 | 34.4 |
| 2004-2005 | 87 224 | 33.2 | | 87 224 | 33.2 |
| 2005-2006 | 91 699[3] | 33.7 | | 91 699[3] | 33.7 |
| **After government accounting reform in 2006-2007** | | | | **Data for 2006-2007 to 2011-2012 are not comparable with those for previous years** | |
| 2006-2007 | 96 124 | 34.1 | 1 300 | 97 424 | 34.5 |
| 2007-2008 | 94 824 | 31.9 | 2 301 | 97 125 | 32.7 |
| 2008-2009 | 98 026 | 32.4 | 433 | 98 459 | 32.6 |
| 2009-2010P | 106 628[4] | 35.4 | — | 106 628[4] | 35.4 |
| 2010-2011P | 110 242 | 35.2 | — | 110 242 | 35.2 |
| 2011-2012P | 112 170 | 34.3 | — | 112 170 | 34.3 |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] Before taking into account the stabilization reserve.

[2] Includes various accounting restatements that have not undergone a surplus (deficit) adjustment for previous years.

[3] The increase observed in 2005-2006 is mainly attributable to the implementation of accrual accounting for federal transfers.

[4] Includes the restatement stemming from the change made in Hydro-Québec's accounting policies for the purpose of complying with IFRS and the restatement arising from the implementation of line-by-line recording of the results of institutions in the health and social services and education networks, as required by the new CICA accounting standards established in 2009-2010.

TABLE I.16

## Change in debt service

| | Consolidated Revenue Fund | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Direct debt** | **Interest ascribed to retirement plans**[1] | **Employee future benefits**[2] | **Total** | **As a % of budgetary revenue**[3] | **Consolidated entities** | **Total debt service** | |
| | $ million | $ million | $ million | $ million | | $ million | $ million | As a % of budgetary revenue[3] |
| **Before government accounting reforms** | | | | | | | | |
| 1971-1972 | 210 | | | 210 | 4.8 | | 210 | 4.8 |
| 1972-1973 | 242 | | | 242 | 4.9 | | 242 | 4.9 |
| 1973-1974 | 288 | | | 288 | 5.1 | | 288 | 5.1 |
| 1974-1975 | 296 | | | 296 | 4.1 | | 296 | 4.1 |
| 1975-1976 | 368 | | | 368 | 4.5 | | 368 | 4.5 |
| 1976-1977 | 456 | | | 456 | 4.8 | | 456 | 4.8 |
| 1977-1978 | 606 | | | 606 | 5.5 | | 606 | 5.5 |
| 1978-1979 | 763 | 54 | | 817 | 7.0 | | 817 | 7.0 |
| 1979-1980 | 882 | 88 | | 970 | 7.4 | | 970 | 7.4 |
| 1980-1981 | 1 217 | 165 | | 1 382 | 9.5 | | 1 382 | 9.5 |
| 1981-1982 | 1 686 | 264 | | 1 950 | 11.0 | | 1 950 | 11.0 |
| 1982-1983 | 1 921 | 379 | | 2 300 | 11.8 | | 2 300 | 11.8 |
| 1983-1984 | 2 031 | 480 | | 2 511 | 11.6 | | 2 511 | 11.6 |
| 1984-1985 | 2 414 | 598 | | 3 012 | 13.7 | | 3 012 | 13.7 |
| 1985-1986 | 2 648 | 706 | | 3 354 | 14.0 | | 3 354 | 14.0 |
| 1986-1987 | 2 754 | 802 | | 3 556 | 14.0 | | 3 556 | 14.0 |
| 1987-1988 | 2 751 | 924 | | 3 675 | 13.1 | | 3 675 | 13.1 |
| 1988-1989 | 2 665 | 1 137 | | 3 802 | 12.8 | | 3 802 | 12.8 |
| 1989-1990 | 2 829 | 1 186 | | 4 015 | 12.9 | | 4 015 | 12.9 |
| 1990-1991 | 3 026 | 1 411 | | 4 437 | 13.4 | | 4 437 | 13.4 |
| 1991-1992 | 3 222 | 1 444 | | 4 666 | 13.5 | | 4 666 | 13.5 |
| 1992-1993 | 3 475 | 1 281 | | 4 756 | 13.5 | | 4 756 | 13.5 |
| 1993-1994 | 3 750 | 1 566 | | 5 316 | 14.8 | | 5 316 | 14.8 |
| 1994-1995 | 4 333 | 1 549 | | 5 882 | 16.2 | | 5 882 | 16.2 |
| 1995-1996 | 4 287 | 1 747 | | 6 034 | 15.8 | | 6 034 | 15.8 |
| 1996-1997 | 3 906 | 1 949 | | 5 855 | 15.7 | | 5 855 | 15.7 |
| **After government accounting reform in 1997-1998** | | | | | | | | |
| 1997-1998 | 3 800 | 2 965 | | 6 765 | 17.2 | 577 | 7 342 | 17.7 |
| 1998-1999 | 4 159 | 2 414 | | 6 573 | 15.0 | 614 | 7 187 | 15.6 |
| 1999-2000 | 4 120 | 2 632 | | 6 752 | 15.2 | 621 | 7 373 | 15.7 |
| 2000-2001 | 4 378 | 2 594 | | 6 972 | 14.5 | 634 | 7 606 | 15.0 |
| 2001-2002 | 3 970 | 2 717 | | 6 687 | 14.1 | 574 | 7 261 | 14.5 |
| 2002-2003 | 3 935 | 2 648 | | 6 583 | 13.3 | 549 | 7 132 | 13.7 |
| 2003-2004 | 3 913 | 2 742 | | 6 655 | 13.0 | 586 | 7 241 | 13.8 |
| 2004-2005 | 4 066 | 2 787 | | 6 853 | 12.8 | 596 | 7 449 | 13.1 |
| 2005-2006 | 4 044 | 2 831 | | 6 875 | 12.3 | 684 | 7 559 | 12.6 |
| **After government accounting reform in 2006-2007** | | | | | | | | |
| 2006-2007 | 4 357 | 2 643 | 39 | 7 039 | 11.6 | 1 684 | 8 723 | 13.3 |
| 2007-2008 | 4 548 | 2 436 | 37 | 7 021 | 11.1 | 1 731 | 8 752 | 12.7 |
| 2008-2009 | 4 372 | 2 116 | 16 | 6 504 | 10.3 | 1 627 | 8 131 | 11.9 |
| 2009-2010$^P$ | 3 789 | 2 375 | – 10 | 6 154 | 9.8 | 1 774 | 7 928 | 10.7 |
| 2010-2011$^P$ | 4 408 | 2 597 | – 15 | 6 990 | 10.7 | 2 011 | 9 001 | 11.5 |
| 2011-2012$^P$ | 4 925 | 2 937 | – 21 | 7 841 | 11.4 | 2 302 | 10 143 | 12.5 |

P: Preliminary results for 2009-2010 and forecasts for subsequent years.

[1] Interest ascribed to the retirement plans corresponds to interest on the actuarial obligation less the investment income of the Retirement Plans Sinking Fund.

[2] Employee future benefits correspond to the interest on the accumulated sick leave obligation minus the investment income of the Accumulated Sick Leave Fund, and to the interest on the survivor's pension plan obligation minus the investment income of the Survivor's Pension Plan Fund.

[3] This revenue includes the measures identified in revenue under the plan to restore fiscal balance.

Finances

Québec